
READYKIDS, INC.
Charlottesville, Virginia
FINANCIAL REPORT
YEAR ENDED JUNE 30, 2019

READYKIDS, INC.
Charlottesville, Virginia

FINANCIAL REPORT
YEAR ENDED JUNE 30, 2019

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Independent Auditors' Report

To the Board of Directors
ReadyKids, Inc.
Charlottesville, Virginia

We have audited the accompanying financial statements of ReadyKids, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ReadyKids, Inc. as of June 30, 2019, 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.

Change in Accounting Principle

As described in Note 19 to the financial statements, in 2019, ReadyKids, Inc. adopted new accounting guidance, FASB ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the ReadyKids, Inc. 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 16, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying other supplementary information on pages 17 and 18 is presented for purposes 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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Robinson, Farmer, Cox, Associates

Charlottesville, Virginia
November 6, 2019

- Financial Statements -

READYKIDS, INC.

Statement of Financial Position
At June 30, 2019
(With Comparative Totals for 2018)

	2019	2018
Assets:		
Current assets:		
Cash and cash equivalents	\$ 711,957	\$ 620,748
Accounts and grants receivable, (net of allowance for uncollectibles of \$1,896)	187,665	219,052
Contributions receivable, (net of allowance for uncollectibles of \$31,985)	985,552	508,094
Prepaid expenses	45,433	12,559
Total current assets	<u>\$ 1,930,607</u>	<u>\$ 1,360,453</u>
Property and equipment:		
Construction in progress	\$ 1,092,149	\$ 106,692
Land, buildings and equipment, (net of accumulated depreciation of \$528,226)	1,536,665	1,591,221
Total property and equipment	<u>\$ 2,628,814</u>	<u>\$ 1,697,913</u>
Other assets:		
Beneficial interest in agency fund held by third party	\$ 1,014,171	\$ 952,363
Total other assets	<u>\$ 1,014,171</u>	<u>\$ 952,363</u>
Total assets	<u><u>\$ 5,573,592</u></u>	<u><u>\$ 4,010,729</u></u>
Liabilities:		
Current liabilities:		
Accounts payable	\$ 296,955	\$ 39,609
Accrued expenses	3,464	8,685
Retainage payable	44,821	-
Compensated absences	30,203	30,772
Deferred revenue	94,861	110,000
Total current liabilities	<u>\$ 470,304</u>	<u>\$ 189,066</u>
Total liabilities	<u>\$ 470,304</u>	<u>\$ 189,066</u>
Net Assets:		
Net assets without donor restrictions:		
Operating	\$ (663,069)	\$ 370,809
Designated for long-term purposes	1,014,171	952,363
Property and equipment	2,628,814	1,697,913
Total net assets without donor restrictions	<u>\$ 2,979,916</u>	<u>\$ 3,021,085</u>
Net assets with donor restrictions	<u>2,123,372</u>	<u>800,578</u>
Total net assets	<u>\$ 5,103,288</u>	<u>\$ 3,821,663</u>
Total liabilities and net assets	<u><u>\$ 5,573,592</u></u>	<u><u>\$ 4,010,729</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

READYKIDS, INC.

Statement of Activities
Year Ended June 30, 2019
(With Comparative Totals for 2018)

	Without Donor		With Donor		Total	
	Restrictions	Restrictions	2019	2018	2019	2018
Revenues, gains and other support:						
Federal and state grants	\$ -	\$ 761,058	\$ 761,058	\$ 751,788	\$ 761,058	\$ 751,788
Local grants	-	225,438	225,438	218,933	225,438	218,933
Other grants	-	109,500	109,500	90,450	109,500	90,450
United Way, Thomas Jefferson Area	-	80,004	80,004	73,080	80,004	73,080
Contract service revenues	319,288	-	319,288	365,108	319,288	365,108
Program service revenues	-	500	500	470	-	-
Special events	12,295	-	12,295	17,798	12,295	17,798
Contributions	383,330	1,932,792	2,316,122	1,596,083	2,316,122	1,596,083
In-kind contributions	-	-	-	-	-	-
Investment income	67,976	-	67,976	116,882	67,976	116,882
Other	7,021	9,813	16,834	16,149	16,834	16,149
Net assets released from restrictions:						
Satisfaction of program requirements	1,796,311	(1,796,311)	-	-	-	-
Total revenues, gains and other support	\$ 2,586,221	\$ 1,322,794	\$ 3,909,015	\$ 3,246,741	\$ 3,909,015	\$ 3,246,741
Expenses:						
Program services:						
Teen counseling	\$ 193,160	\$ -	\$ 193,160	\$ 203,358	\$ 193,160	\$ 203,358
Growing minds	390,963	-	390,963	397,379	390,963	397,379
Healthy families	439,363	-	439,363	419,614	439,363	419,614
ReadySteps	298,532	-	298,532	315,699	298,532	315,699
Inside out	628,510	-	628,510	601,150	628,510	601,150
City of promise	205,474	-	205,474	181,076	205,474	181,076
Others	222,998	-	222,998	237,126	222,998	237,126
Total program services	\$ 2,379,000	\$ -	\$ 2,379,000	\$ 2,355,402	\$ 2,379,000	\$ 2,355,402
Supporting services:						
Management and general	\$ 77,855	\$ -	\$ 77,855	\$ 103,946	\$ 77,855	\$ 103,946
Fundraising	170,535	-	170,535	148,291	170,535	148,291
Total supporting services	248,390	-	248,390	252,237	248,390	252,237
Total expenses	\$ 2,627,390	\$ -	\$ 2,627,390	\$ 2,607,639	\$ 2,627,390	\$ 2,607,639
Change in net assets	\$ (41,169)	\$ 1,322,794	\$ 1,281,625	\$ 639,102	\$ 1,281,625	\$ 639,102
Net assets, beginning of year	3,021,085	800,578	3,821,663	3,182,561	3,821,663	3,182,561
Net assets, end of year	\$ 2,979,916	\$ 2,123,372	\$ 5,103,288	\$ 3,821,663	\$ 5,103,288	\$ 3,821,663

The accompanying notes to the financial statements are an integral part of this statement.

READYKIDS, INC.

Statement of Functional Expenses

Year Ended June 30, 2019

(With Comparative Totals for 2018)

	Program Services				
	Teen Counseling	Growing Minds	Healthy Families	ReadySteps	Inside Out
Salaries and Related Benefits:					
Salaries	\$ 144,661	\$ 281,005	\$ 311,663	\$ 213,438	\$ 466,792
Payroll taxes	10,237	19,055	22,852	15,390	35,366
Employee benefits	22,213	35,201	54,773	36,282	79,576
Total salaries and related benefits	\$ 177,111	\$ 335,261	\$ 389,288	\$ 265,110	\$ 581,734
Conferences	1,348	1,836	1,975	527	4,042
Insurance	1,154	3,498	2,968	5,308	3,895
Membership dues	-	-	11,211	1,115	260
Utilities	1,305	1,944	2,190	2,018	3,952
Office and postage	424	2,637	1,932	1,398	2,304
Professional and accounting fees	1,262	6,302	2,796	2,796	4,974
Program costs	146	19,717	2,493	5,028	1,552
Printing	293	2,348	402	1,468	2,880
Repairs/maintenance	1,316	2,033	2,209	2,033	3,916
Staff development	209	776	536	403	712
Telephone	1,249	828	2,472	1,572	2,884
Travel	3,452	3,086	8,818	2,299	2,308
Bank fees	-	-	-	-	-
Refunds	-	-	-	-	-
Bad debt	-	-	-	-	-
Depreciation	3,891	10,697	10,073	7,457	13,097
Total expenses	\$ 193,160	\$ 390,963	\$ 439,363	\$ 298,532	\$ 628,510

The accompanying notes to the financial statements are an integral part of this statement.

Program Services			Supporting Services		2019 Total	2018 Total
City of Promise	Others	Total Programs	Management and General	Fundraising		
\$ 101,676	\$ 158,873	\$ 1,678,108	\$ 52,336	\$ 109,345	\$ 1,839,789	\$ 1,724,009
7,366	11,948	122,214	3,974	8,212	134,400	127,979
14,806	23,148	265,999	4,398	12,754	283,151	283,553
<u>\$ 123,848</u>	<u>\$ 193,969</u>	<u>\$ 2,066,321</u>	<u>\$ 60,708</u>	<u>\$ 130,311</u>	<u>\$ 2,257,340</u>	<u>\$ 2,135,541</u>
856	203	10,787	399	45	11,231	20,801
2,969	2,000	21,792	1,273	5,541	28,606	17,878
	-	12,586	-	1,538	14,124	14,788
254	2,336	13,999	452	504	14,955	12,235
1,466	1,507	11,668	2,506	2,607	16,781	14,127
13,332	2,548	34,010	2,294	3,734	40,038	65,409
49,237	3,342	81,515	1,364	11,161	94,040	148,559
2,922	1,125	11,438	959	5,136	17,533	18,964
2,969	2,381	16,857	1,885	4,423	23,165	37,657
695	550	3,881	282	106	4,269	3,713
2,619	1,645	13,269	1,464	441	15,174	16,756
3,947	5,820	29,730	-	-	29,730	28,746
360	-	360	2,493	2,960	5,813	4,996
-	-	-	-	35	35	2,000
-	-	-	-	-	-	510
-	5,572	50,787	1,776	1,993	54,556	64,959
<u>\$ 205,474</u>	<u>\$ 222,998</u>	<u>\$ 2,379,000</u>	<u>\$ 77,855</u>	<u>\$ 170,535</u>	<u>\$ 2,627,390</u>	<u>\$ 2,607,639</u>

READYKIDS, INC.

Statement of Cash Flows
 Year Ended June 30, 2019
 (With Comparative Totals for 2018)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,281,625	\$ 639,102
Adjustment to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	54,556	64,959
Change in beneficial interest in agency fund	(61,808)	(6,646)
Changes in:		
Accounts and grants receivable	31,387	(49,278)
Contributions receivable	(477,458)	(504,594)
Prepaid expenses	(32,874)	(12,099)
In-kind inventory	-	59,822
Accounts payable	257,346	(5,196)
Accrued expenses	(5,221)	(3,295)
Retainage payable	44,821	-
Compensated absences	(569)	3,090
Deferred revenue	(15,139)	25,000
Net cash provided by (used for) operating activities	<u>\$ 1,076,666</u>	<u>\$ 210,865</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>\$ (985,457)</u>	<u>\$ (111,420)</u>
Net cash provided by (used for) investing activities	<u>\$ (985,457)</u>	<u>\$ (111,420)</u>
Net change in cash and cash equivalents	\$ 91,209	\$ 99,445
Cash and cash equivalents at beginning of year	<u>620,748</u>	<u>521,303</u>
Cash and cash equivalents at end of year	<u><u>\$ 711,957</u></u>	<u><u>\$ 620,748</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

READYKIDS, INC.

Notes to Financial Statements At June 30, 2019

NOTE 1 - PURPOSE AND FUNDING:

ReadyKids, Inc., formerly Children, Youth & Family Services, Inc., works toward the vision that every child be ready to learn, ready for relationships and ultimately ready for life! Since 1921, ReadyKids, Inc. has provided critical support to underserved children and families in Charlottesville and the five surrounding counties. With a mission to *Open Doors to Bright Futures for Kids*, ReadyKids, Inc. prepares kids to be *Ready to Learn* by providing quality early learning experiences and *Ready for Relationships* by supporting positive, nurturing and healthy family relationships. In FY19, ReadyKids, Inc. impacted the lives of 9,152 children, families and early childhood educators in Central Virginia.

Funding for the Organization is provided in combination by private contributions and grants, local government support, federal and state grants, the United Way and fees for service.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting:

The financial statements of the Organization have been prepared on the accrual basis of accounting. Under the accrual method, revenues are recognized in the period in which they are earned, while expenses are recognized in the accounting period in which the related liability is incurred.

Financial Statement Presentation:

The Organization is required to report information regarding its financial position and activities according to two classes of net assets based on the existence or absence of donor-imposed restrictions: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed stipulations. At June 30, 2019, the Organization had net assets without donor restrictions of \$2,979,916.

Net assets with donor restrictions: Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. At June 30, 2019, the Organization had net assets with donor restrictions of \$2,123,372.

When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Property and Equipment:

Property, equipment and improvements to property are recorded at cost or, if donated, at fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Buildings and improvements have an estimated useful life of thirty years and equipment has an estimated useful life range from 3 to 10 years.

Equipment purchases are treated as expenditures in the program utilizing the equipment. With the exception of expendable items, purchases in excess of \$2,000 are capitalized.

Depreciation expense totaled \$54,556 for the year ended June 30, 2019.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Compensated Absences:

The Organization records vacation leave liability for employees, not to exceed five days, 90 days after hiring. Unused sick leave is not paid upon termination. The amount of the accrued vacation leave was \$30,203 at June 30, 2019.

Advertising Costs:

Advertising costs are expensed when incurred.

Revenue Recognition:

The Organization utilizes grant accounting for governmental grants received for specific programs. This accounting recognizes grant revenue to the extent of grant expenditures paid. Grant revenues received but not expended are reported as deferred revenue. Other revenues are recognized when earned.

Contributions:

Contributions are recognized when the donor makes a propose to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires because the contributed resources are spent in accordance with the donor's instructions or because of passage of time, net assets with donor restrictions are reclassified to net assets without donor restrictions. In the absence of donor restrictions to the contrary, restrictions on contributions of property or equipment or on assets restricted to acquiring property or equipment expire when the property or equipment is placed in service.

Deferred Revenue:

Deferred revenue consists of grants awarded for projects and programs that have not started yet. Amounts were received prior to the start of grant periods.

Comparative Totals:

Comparative totals are presented for information purposes only. Amounts from the prior year were derived from the prior year financial statements.

READYKIDS, INC.

Notes to Financial Statements
At June 30, 2019 (Continued)

NOTE 3 - CASH AND CASH EQUIVALENTS:

For the purposes of reporting cash flows, cash and cash equivalents consists of cash on hand and in banks, money market funds, certificates of deposit, and investments maturing in three months or less from the date of acquisition.

All cash in banks are in federally insured accounts. The amount insured by the Federal Deposit Insurance Corporation (FDIC) extends to \$250,000 per entity. The Organization had \$297,158 of uninsured bank balances at June 30, 2019.

NOTE 4 - ACCOUNTS AND GRANTS RECEIVABLE:

Accounts and grants receivable are recorded when the service has been performed or the grant period has commenced.

Accounts and grants receivable consist of the following:

Commonwealth of Virginia DSS	\$	30,425
City of Charlottesville		10,716
Child Development Resources		25,853
Community Attention		21,825
Department of Criminal Justice Services		50,111
VFHY/STAR Kids		8,069
SHE		5,220
Sentara		37,119
Others		223
		<hr/>
Subtotal	\$	189,561
Less: Allowance for uncollectibles		(1,896)
		<hr/>
Net accounts and grants receivable	\$	<u>187,665</u>

There are no significant concentrations of credit risk arising from receivables. Receivables are written off when they are deemed uncollectible by management. The allowance for uncollectibles is an estimate based on the expected collection of receivables. Receivables are deemed delinquent when 60 or more days have elapsed from the billing date.

NOTE 5 - CONTRIBUTIONS RECEIVABLE:

The allowance for uncollectible pledges is estimated based upon historical collection rates and specific identification of uncollectible amounts. Unconditional pledges, net of the allowance of \$31,985, totaled \$985,552 at June 30, 2019. All of this amount is expected to be collected within two years.

READYKIDS, INC.

Notes to Financial Statements
At June 30, 2019 (Continued)

NOTE 6 - PROPERTY AND EQUIPMENT:

Property and equipment consist of the following:

Land	\$	778,230
Construction in progress		1,092,149
Building and improvements		957,212
Equipment		85,480
Furniture and fixtures		176,188
Vehicles		<u>67,781</u>
Total	\$	3,157,040
Accumulated depreciation		<u>(528,226)</u>
Net property and equipment	\$	<u><u>2,628,814</u></u>

NOTE 7 - GRANTS:

The Organization received a significant portion of its revenue from various grants. The more significant grants and the funding sources for the year are detailed below:

<u>Program</u>	<u>Funding Source</u>	<u>Year Ended June 30, 2019</u>
Star Kids	Commonwealth of Virginia - Virginia Tobacco Settlement Foundation	\$ 50,000
Various	Commonwealth of Virginia	230,716
Various	City of Charlottesville	152,998
Various	County of Albemarle	70,340
Various	United Way, Thomas Jefferson Area	80,004
Child Care Quality	Child Development Resources	59,603
VOCA	Commonwealth of Virginia	215,985
VOCA	Department of Criminal Justice Services	40,000

READYKIDS, INC.

Notes to Financial Statements
At June 30, 2019 (Continued)

NOTE 8 - INVESTMENT INCOME:

Included in investment income for the year ended June 30, 2019 are:

	<u>Year Ended</u> <u>June 30, 2019</u>
Interest income	\$ 1,747
Income on beneficial interest in agency fund	9,829
Gain (loss) on beneficial interest in agency fund	<u>66,025</u>
Total investment income	<u>\$ 77,601</u>
Investment expenses	<u>\$ (9,625)</u>
Net investment income	<u>\$ 67,976</u>

NOTE 9 - FUNCTIONAL ALLOCATION OF EXPENSES:

The Organization allocates shared expenses between the various programs and supporting services. These shared expenses include secretarial and bookkeeping support services, rent, telephone, insurance and equipment maintenance. Certain expenses are allocated among program and supporting services based on direct expenses incurred; others are allocated among program and supporting services based on the time spent in the activity.

NOTE 10 - RETIREMENT PLAN:

Prior to January 1, 1997, the Organization terminated its defined contribution retirement plan which covered a small group of full-time, salaried employees. Employees may contribute to a tax sheltered annuity plan under Section 403(b) of the Internal Revenue Code. A fixed match of 20% of elective deferrals per pay period applies to regular compensation. The maximum amount of the fixed match per person is \$500 for the plan year. A discretionary match applies to loyalty incentive compensation. The amount of the discretionary match will be determined by the employer. Match contributions to the plan totaled \$6,286 for the year ended June 30, 2019. Employee contributions to the plan totaled \$54,015 for the year ended June 30, 2019.

NOTE 11 - INCOME TAXES:

The Organization is a non-profit entity which is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3), and comparable state law.

NOTE 12 - COMMITMENTS AND CONTINGENCIES:

Federal programs in which the Organization participates may be subject to compliance testing by the funding federal agency. Such compliance tests could result in disallowed expenses charged to the grant program. In the opinion of management, any future disallowance of current grant program expenses, if any, would be immaterial.

READYKIDS, INC.

Notes to Financial Statements
At June 30, 2019 (Continued)

NOTE 13 - CONTRIBUTED SERVICES:

The Organization has received contributed services in the form of volunteers utilized for programs and various repairs and maintenance activities. The value of these hours has not been recognized in the financial statements. The fair value of these services has not been measured.

NOTE 14 - NET ASSETS WITH DONOR RESTRICTIONS:

Net assets were released from grantor restrictions by incurring expenditures satisfying the restricted purpose of the grants.

	<u>Year Ended June 30, 2019</u>
Healthy Families	\$ 359,618
Inside Out	520,904
Growing Minds	248,510
City of Promise	214,893
ReadySteps	213,761
Real Dads	13,939
Star Kids	57,090
Teen Counseling	60,356
Play Partners	16,938
Philanthropy	32,540
Management	<u>57,762</u>
Total	<u>\$ 1,796,311</u>

Net assets with donor restrictions as of June 30, 2019 consist of unexpended funds for the following:

City of Promise	\$ 204,664
Capital Campaign	1,918,608
Management	<u>100</u>
Total	<u>\$ 2,123,372</u>

NOTE 15 - BENEFICIAL INTEREST IN AGENCY FUND HELD BY THIRD PARTY:

The Organization is the beneficiary under a Designated Agency Fund Agreement with the Charlottesville Area Community Foundation. The agency fund has been recorded in accordance with generally accepted accounting principles which state that if a community foundation receives assets from a nonprofit organization that specifies itself as the beneficiary, the transfer is not a contribution received by the community foundation even if the variance power is explicitly stated in the gift instrument. The assets of the fund are included in the Statement of Financial Position as a beneficial interest in agency fund held by third party. Distributions are to be paid as the two organizations agree upon. In addition, the fund is charged a quarterly administrative fee on the fund balance.

NOTE 15 - BENEFICIAL INTEREST IN AGENCY FUND HELD BY THIRD PARTY: (CONTINUED)

The changes in the agency fund are as follows for the year ended June 30, 2019:

Beneficial interest - Beginning of year	\$ 952,363
Change in value of beneficial interest:	
Income returns	9,829
Gain (loss) on the fund	66,025
Contributions to the fund	579
Withdrawals from the fund	(5,000)
Administrative fees	<u>(9,625)</u>
Beneficial interest - End of year	<u><u>\$ 1,014,171</u></u>

NOTE 16 - DESIGNATED ASSETS:

The Board has designated its beneficial interest in agency fund held by the Charlottesville Area Community Foundation for long-term purposes. These investments are designated as follows:

Endowment type purpose	\$ 83,351
Keasley fund	11,163
Jefferson fund - Board Endowment	<u>919,657</u>
Total	<u><u>\$ 1,014,171</u></u>

NOTE 17 - FAIR VALUE MEASUREMENTS:

Fair value for investments are determined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The three-level fair value hierarchy prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs to measure fair value are as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

READYKIDS, INC.

Notes to Financial Statements
At June 30, 2019 (Continued)

NOTE 17 - FAIR VALUE MEASUREMENTS: (CONTINUED)

The Organization is providing the following information related to its investments:

	Fair Value Measurements at Reporting Date Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	<u>June 30, 2019</u>		
Beneficial Interest in Community Foundation	\$ 1,014,171	\$ -	\$ 1,014,171
Total	<u>\$ 1,014,171</u>	<u>\$ -</u>	<u>\$ 1,014,171</u>

The Level 3 assets represent the beneficial interest in Charlottesville Area Community Foundation's (CACF) investment pool. The valuation of this investment is based upon the inputs used by CACF to value the underlying assets. The following table provides further details of the Level 3 fair value measurements.

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Beneficial Interest in Community Foundation
Beginning Balance	\$ 952,363
Total gains or losses (realized/unrealized) included in changes in net assets	75,854
Investment expenses	(9,625)
Withdrawals	(5,000)
Contributions	579
Ending Balance	<u>\$ 1,014,171</u>

NOTE 18 - LIQUIDITY AND AVAILABILITY:

The Organization monitors its liquidity so that it can meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. The Organization has the following financial assets that could readily be made available within one year of the balance sheet to fund expenses without limitations:

	<u>2019</u>
Cash and cash equivalents	\$ 711,957
Accounts receivable	187,665
Beneficial interest in agency fund held by third party	<u>1,014,171</u>
Total	<u>\$ 1,913,793</u>

In addition to financial assets available to meet general expenditures over the year, the Organization anticipates covering its general expenditures by collecting sufficient donations and other revenues and by utilizing donor-restricted resources from current and prior years' donations, as needed. The statement of cash flows identifies the sources and uses of the Organization's cash and shows positive cash of \$1,076,666 for the fiscal year ending June 30, 2019.

NOTE 19 - ADOPTION OF ACCOUNTING PRONOUNCEMENT:

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The Organization has changed the presentation of its financial statements, accordingly, applying the changes retrospectively to the beginning net assets. The new ASU changes the following aspects of the Organization's financial statements:

	<u>As Originally Presented</u>	<u>After Adoption of ASU 2016-14</u>
Unrestricted net assets	\$ 3,021,085	\$ -
Net assets without donor restrictions	-	3,021,085
Temporarily restricted net assets	800,578	-
Net assets with donor restrictions	<u>-</u>	<u>800,578</u>
Total	<u>\$ 3,821,663</u>	<u>\$ 3,821,663</u>

- The temporarily restricted and permanently restricted net asset classes have been reduced to a single net asset class called *net assets with donor restrictions*.
- The unrestricted net asset class has been changed to *net assets without donor restrictions*.
- The financial statements include a new disclosure about liquidity and availability of resources.
- The financial statements include increased disclosures on functional expenses.

Adoption of the ASU did not result in any reclassifications or restatements to net assets.

NOTE 20 - DATE OF MANAGEMENT REVIEW:

In preparing these financial statements, management of the Organization has evaluated events and transactions for potential recognition or disclosure through November 6, 2019, the date the financial statements were available to be issued.

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- Other Supplementary Information -

READYKIDS, INC.

Reconciliation of Statement of Functional Expenses to Grant Expenditures

Year Ended June 30, 2019

(With Comparative Totals for 2018)

	Program Services				
	Teen Counseling	Growing Minds	Healthy Families	ReadySteps	Inside Out
Salaries and Related Benefits:					
Salaries	\$ 144,661	\$ 281,005	\$ 311,663	\$ 213,438	\$ 466,792
Payroll taxes	10,237	19,055	22,852	15,390	35,366
Employee benefits	22,213	35,201	54,773	36,282	79,576
Total salaries and related benefits	\$ 177,111	\$ 335,261	\$ 389,288	\$ 265,110	\$ 581,734
Conferences	1,348	1,836	1,975	527	4,042
Insurance	1,154	3,498	2,968	5,308	3,895
Membership dues	-	-	11,211	1,115	260
Utilities	1,305	1,944	2,190	2,018	3,952
Office and postage	424	2,637	1,932	1,398	2,304
Professional and accounting fees	1,262	6,302	2,796	2,796	4,974
Program costs	146	19,717	2,493	5,028	1,552
Printing	293	2,348	402	1,468	2,880
Repairs/maintenance	1,316	2,033	2,209	2,033	3,916
Staff development	209	776	536	403	712
Telephone	1,249	828	2,472	1,572	2,884
Travel	3,452	3,086	8,818	2,299	2,308
Bank fees	-	-	-	-	-
Refunds	-	-	-	-	-
Bad debt	-	-	-	-	-
Depreciation	3,891	10,697	10,073	7,457	13,097
Total statement of functional expenses	\$ 193,160	\$ 390,963	\$ 439,363	\$ 298,532	\$ 628,510
Add:					
Grant expenditures netted for financial statement purposes:					
Property and equipment capitalized	\$ -	\$ -	\$ -	\$ -	\$ -
Total grant expenditures	\$ 193,160	\$ 390,963	\$ 439,363	\$ 298,532	\$ 628,510

Program Services			Supporting Services			2019 Total	2018 Total
City of Promise	Others	Total Programs	Management and General	Fundraising			
\$ 101,676	\$ 158,873	\$ 1,678,108	\$ 52,336	\$ 109,345	\$ 1,839,789	\$ 1,724,009	
7,366	11,948	122,214	3,974	8,212	134,400	127,979	
14,806	23,148	265,999	4,398	12,754	283,151	283,553	
\$ 123,848	\$ 193,969	\$ 2,066,321	\$ 60,708	\$ 130,311	\$ 2,257,340	\$ 2,135,541	
856	203	10,787	399	45	11,231	20,801	
2,969	2,000	21,792	1,273	5,541	28,606	17,878	
-	-	12,586	-	1,538	14,124	14,788	
254	2,336	13,999	452	504	14,955	12,235	
1,466	1,507	11,668	2,506	2,607	16,781	14,127	
13,332	2,548	34,010	2,294	3,734	40,038	65,409	
49,237	3,342	81,515	1,364	11,161	94,040	148,559	
2,922	1,125	11,438	959	5,136	17,533	18,964	
2,969	2,381	16,857	1,885	4,423	23,165	37,657	
695	550	3,881	282	106	4,269	3,713	
2,619	1,645	13,269	1,464	441	15,174	16,756	
3,947	5,820	29,730	-	-	29,730	28,746	
360	-	360	2,493	2,960	5,813	4,996	
-	-	-	-	35	35	2,000	
-	-	-	-	-	-	510	
-	5,572	50,787	1,776	1,993	54,556	64,959	
\$ 205,474	\$ 222,998	\$ 2,379,000	\$ 77,855	\$ 170,535	\$ 2,627,390	\$ 2,607,639	
\$ -	\$ -	\$ -	\$ -	\$ 985,457	\$ 985,457	\$ 111,420	
\$ 205,474	\$ 222,998	\$ 2,379,000	\$ 77,855	\$ 1,155,992	\$ 3,612,847	\$ 2,719,059	

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