

READYKIDS, INC.
Charlottesville, Virginia
FINANCIAL REPORT
YEAR ENDED JUNE 30, 2021

READYKIDS, INC.
Charlottesville, Virginia

FINANCIAL REPORT
YEAR ENDED JUNE 30, 2021

Table of Contents

	Page
Independent Auditors' Report	1-2
<i>Financial Statements:</i>	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5-6
Statement of Cash Flows	7
Notes to Financial Statements	8-16
<i>Other Supplementary Information:</i>	
Reconciliation of Statement of Functional Expenses to Grant Expenditures	17-18
<i>Compliance</i>	
Independent Auditors' 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	19-20
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the <i>Uniform Guidance</i>	21-22
Schedule of Expenditures of Federal Awards	23
Notes to Schedule of Expenditures of Federal Awards	24
Schedule of Findings and Questioned Costs	25



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of ReadyKids, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of United States. 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, 2021, 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.

Report on Summarized Comparative Information

We have previously audited the ReadyKids, Inc. 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 27, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 17 and 18 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2021, on our consideration of ReadyKids, Inc.'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 solely is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of ReadyKids, Inc.'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 ReadyKids, Inc.'s internal control over financial reporting and compliance.



Charlottesville, Virginia
November 2, 2021

- Financial Statements -

READYKIDS, INC.

Statement of Financial Position
At June 30, 2021
(With Comparative Totals for 2020)

	2021	2020
Assets:		
Current assets:		
Cash and cash equivalents	\$ 892,794	\$ 867,805
Accounts and grants receivable, (net of allowance for uncollectibles of \$2,905 and \$3,968)	228,350	346,525
Contributions receivable, (net of allowance for uncollectibles of \$0 and \$5,961)	-	293,586
Prepaid expenses	42,162	45,327
Total current assets	<u>\$ 1,163,306</u>	<u>\$ 1,553,243</u>
Property and equipment:		
Land, buildings and equipment, (net of accumulated depreciation of \$707,886 and \$603,539)	\$ 3,490,863	\$ 3,565,458
Total property and equipment	<u>\$ 3,490,863</u>	<u>\$ 3,565,458</u>
Other assets:		
Beneficial interest in agency fund held by third party	\$ 1,370,169	\$ 1,071,617
Total other assets	<u>\$ 1,370,169</u>	<u>\$ 1,071,617</u>
Total assets	<u><u>\$ 6,024,338</u></u>	<u><u>\$ 6,190,318</u></u>
Liabilities:		
Current liabilities:		
Accounts payable	\$ 18,160	\$ 21,230
Accrued expenses	45,727	7,490
Compensated absences	35,186	33,402
Deferred revenue	102,004	85,000
Accrued interest	25,595	-
Line of credit	-	520,000
Advance of funds - PPP loan	-	479,950
Total current liabilities	<u>\$ 226,672</u>	<u>\$ 1,147,072</u>
Total liabilities	<u>\$ 226,672</u>	<u>\$ 1,147,072</u>
Net Assets:		
Net assets without donor restrictions:		
Operating	\$ 838,089	\$ 221,044
Designated for long-term purposes	1,370,169	1,071,617
Property and equipment	3,490,863	3,565,458
Total net assets without donor restrictions	<u>\$ 5,699,121</u>	<u>\$ 4,858,119</u>
Net assets with donor restrictions	98,545	185,127
Total net assets	<u>\$ 5,797,666</u>	<u>\$ 5,043,246</u>
Total liabilities and net assets	<u><u>\$ 6,024,338</u></u>	<u><u>\$ 6,190,318</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, 2021
(With Comparative Totals for 2021)

	Without Donor		With Donor		Total	
	Restrictions	Restrictions	2021	2020	2021	2020
Revenues, gains and other support:						
Federal grants	\$ -	\$ 884,263	\$ 884,263	\$ 883,460		
State grants	-	73,197	73,197	103,897		
Local grants	-	195,686	195,686	309,385		
Other grants	-	-	-	117,500		
United Way, Thomas Jefferson Area	-	-	-	50,000		
Contract service revenues	470,698	-	470,698	442,477		
Program service revenues	-	-	-	400		
Special events	5,000	-	5,000	6,320		
Contributions	512,301	521,023	1,033,324	1,235,259		
Investment income	393,047	-	393,047	54,165		
Other - PPP loan forgiveness	479,950	-	479,950	-		
Other	4,564	-	4,564	1,689		
Net assets released from restrictions:						
Satisfaction of program requirements	1,760,751	(1,760,751)	-	-		
Total revenues, gains and other support	\$ 3,626,311	\$ (86,582)	\$ 3,539,729	\$ 3,204,552		
Expenses:						
Program services:						
Teen counseling	\$ 162,131	\$ -	\$ 162,131	\$ 206,717		
Growing minds	455,215	-	455,215	476,931		
Healthy families	456,819	-	456,819	447,964		
ReadySteps	267,691	-	267,691	304,205		
Inside out	957,355	-	957,355	831,834		
City of promise	44,480	-	44,480	567,545		
Others	134,385	-	134,385	130,756		
Total program services	\$ 2,478,076	\$ -	\$ 2,478,076	\$ 2,965,952		
Supporting services:						
Management and general	\$ 110,861	\$ -	\$ 110,861	\$ 101,589		
Fundraising	196,372	-	196,372	197,053		
Total supporting services	\$ 307,233	\$ -	\$ 307,233	\$ 298,642		
Total expenses	\$ 2,785,309	\$ -	\$ 2,785,309	\$ 3,264,594		
Change in net assets	\$ 841,002	\$ (86,582)	\$ 754,420	\$ (60,042)		
Net assets, beginning of year	4,858,119	185,127	5,043,246	5,103,288		
Net assets, end of year	\$ 5,699,121	\$ 98,545	\$ 5,797,666	\$ 5,043,246		

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

Statement of Functional Expenses
Year Ended June 30, 2021
(With Comparative Totals for 2020)

	Program Services					
	Teen Counseling	Growing Minds	Healthy Families	ReadySteps	Inside Out	City of Promise
Salaries and Related Benefits:						
Salaries	\$ 117,477	\$ 314,618	\$ 314,153	\$ 182,324	\$ 685,372	\$ -
Payroll taxes	7,948	22,182	22,816	13,847	51,292	-
Employee benefits	22,092	47,599	60,549	39,767	125,354	-
Total salaries and related benefits	\$ 147,517	\$ 384,399	\$ 397,518	\$ 235,938	\$ 862,018	\$ -
Conferences	927	125	2,434	373	6,284	-
Insurance	1,036	3,162	3,294	4,239	5,999	-
Membership dues	-	-	10,832	1,306	300	-
Utilities	488	1,651	1,647	1,184	3,931	-
Office and postage	381	1,445	1,485	258	3,432	-
Professional and accounting fees	1,274	4,311	3,588	780	10,592	-
Program costs	306	31,842	2,857	4,967	4,919	-
Printing	728	1,309	698	833	2,804	-
Facilities management	1,331	4,379	4,362	3,143	10,397	-
Equipment	62	1,872	1,688	1,637	4,373	-
Repairs/maintenance	5	18	18	13	44	-
Staff development	97	237	682	100	1,087	-
Telephone	1,680	929	4,038	1,480	3,627	-
Travel	-	860	2,039	245	939	-
Bank fees	-	-	-	-	-	-
Pass through to other programs	-	-	-	-	-	44,480
Refunds	-	-	-	-	-	-
Bad debt	-	-	-	-	-	-
Depreciation	6,299	18,676	19,639	11,195	36,609	-
Total expenses	\$ 162,131	\$ 455,215	\$ 456,819	\$ 267,691	\$ 957,355	\$ 44,480

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

Statement of Functional Expenses
Year Ended June 30, 2021
(With Comparative Totals for 2020)

	Program Services		Supporting Services		2021 Total	2020 Total
	Others	Total Programs	Management and General	Fundraising		
Salaries and Related Benefits:						
Salaries	\$ 91,498	\$ 1,705,442	\$ 50,632	\$ 119,682	\$ 1,875,756	\$ 2,039,573
Payroll taxes	6,930	125,015	3,850	8,170	137,035	147,991
Employee benefits	15,577	310,938	7,831	15,703	334,472	351,772
Total salaries and related benefits	\$ 114,005	\$ 2,141,395	\$ 62,313	\$ 143,555	\$ 2,347,263	\$ 2,539,336
Conferences	-	10,143	550	-	10,693	12,446
Insurance	2,659	20,389	231	744	21,364	23,755
Membership dues	-	12,438	1,077	1,598	15,113	21,157
Utilities	277	9,178	1,577	487	11,242	14,891
Office and postage	1,026	8,027	89	2,604	10,720	19,937
Professional and accounting fees	3,297	23,842	26,251	965	51,058	86,968
Program costs	2,987	47,878	1,872	2,280	52,030	300,541
Printing	731	7,103	1,741	6,612	15,456	18,277
Facilities management	748	24,360	4,345	1,284	29,989	25,782
Equipment	1,209	10,841	1,329	2,013	14,183	56,743
Repairs/maintenance	3	101	18	5	124	32,019
Staff development	226	2,429	576	57	3,062	3,625
Telephone	1,276	13,030	824	452	14,306	13,432
Travel	-	4,083	-	-	4,083	20,664
Bank fees	-	-	3,993	28,628	32,621	6,742
Pass through to other programs	-	44,480	1,877	-	46,357	-
Refunds	-	-	273	-	273	-
Bad debt	-	-	-	-	-	2,073
Depreciation	5,941	98,359	1,925	5,088	105,372	66,206
Total expenses	\$ 134,385	\$ 2,478,076	\$ 110,861	\$ 196,372	\$ 2,785,309	\$ 3,264,594

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

READYKIDS, INC.

Statement of Cash Flows
Year Ended June 30, 2021
(With Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 754,420	\$ (60,042)
Adjustment to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	105,372	66,206
Change in beneficial interest in agency fund	(298,552)	(57,446)
Forgiveness of PPP loan	(479,950)	-
Loss on disposal of assets	3,705	-
Changes in:		
Accounts and grants receivable	118,175	(158,860)
Contributions receivable	293,586	691,966
Prepaid expenses	3,165	106
Accounts payable	(3,070)	(275,725)
Accrued expenses	38,237	4,026
Retainage payable	-	(44,821)
Compensated absences	1,784	3,199
Deferred revenue	17,004	(9,861)
Accrued interest	25,595	-
Net cash provided by (used for) operating activities	<u>\$ 579,471</u>	<u>\$ 158,748</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>\$ (34,482)</u>	<u>\$ (1,002,850)</u>
Net cash provided by (used for) investing activities	<u>\$ (34,482)</u>	<u>\$ (1,002,850)</u>
Cash flows from financing activities:		
Payment of line of credit	\$ (520,000)	\$ (100,000)
Proceeds received from loans and line of credit	<u>-</u>	<u>1,099,950</u>
Net cash provided by (used for) financing activities	<u>\$ (520,000)</u>	<u>\$ 999,950</u>
Net change in cash and cash equivalents	\$ 24,989	\$ 155,848
Cash and cash equivalents at beginning of year	<u>867,805</u>	<u>711,957</u>
Cash and cash equivalents at end of year	<u><u>\$ 892,794</u></u>	<u><u>\$ 867,805</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, 2021

NOTE 1 - PURPOSE AND FUNDING:

Since 1921, ReadyKids, Inc. has been providing critical support to children and families in Charlottesville and the five surrounding counties. With the mission of Opening Doors to Bright Futures for Kids, ReadyKids, Inc. prepares kids to be Ready to Learn, Ready for Relationships and, ultimately, Ready for Life. In FY21, eight ReadyKids, Inc. programs provided family support, counseling and early learning opportunities to over 7,004 kids, families and early childhood educators. Over 90% of program participants met targeted outcomes.

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, 2021, the Organization had net assets without donor restrictions of \$5,699,121.

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, 2021, the Organization had net assets with donor restrictions of \$98,545.

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 \$105,372 for the year ended June 30, 2021.

READYKIDS, INC.

Notes to Financial Statements
At June 30, 2021 (Continued)

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 \$35,186 at June 30, 2021.

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, 2021 (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 \$649,173 of uninsured bank balances at June 30, 2021.

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	\$	66,499
Child Development Resources		18,816
Community Attention		9,158
Department of Criminal Justice Services		92,148
VFHY/STAR Kids		8,123
SHE		1,069
Sentara		19,621
United Way		15,498
Others		323
Subtotal	\$	231,255
Less: Allowance for uncollectibles		(2,905)
Net accounts and grants receivable	\$	<u>228,350</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.

READYKIDS, INC.

Notes to Financial Statements
At June 30, 2021 (Continued)

NOTE 5 - PROPERTY AND EQUIPMENT:

Property and equipment consist of the following:

Land	\$	778,230
Building and improvements		2,999,937
Equipment		108,504
Furniture and fixtures		244,297
Vehicles		67,781
		<u>67,781</u>
Total	\$	4,198,749
Accumulated depreciation		<u>(707,886)</u>
Net property and equipment	\$	<u><u>3,490,863</u></u>

NOTE 6 - 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, 2021</u>
Healthy Families	Commonwealth of Virginia	\$ 180,716
Various	Victim Services Grant Program	316,550
Various	City of Charlottesville	121,136
Various	County of Albemarle	72,450
Child Care Quality	Child Development Resources	104,207
VOCA	Commonwealth of Virginia	215,985

NOTE 7 - INVESTMENT INCOME:

Included in investment income for the year ended June 30, 2021 are:

	<u>Year Ended June 30, 2021</u>
Interest income	\$ 63
Income on beneficial interest in agency fund	7,233
Gain (loss) on beneficial interest in agency fund	400,686
	<u>400,686</u>
Total investment income	\$ <u>407,982</u>
Investment expenses	\$ <u>(14,935)</u>
Net investment income	\$ <u><u>393,047</u></u>

READYKIDS, INC.

Notes to Financial Statements
At June 30, 2021 (Continued)

NOTE 8 - 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 9 - 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 50% of elective deferrals per pay period applies to regular compensation. The maximum amount of the fixed match per person is \$600 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 \$13,066 for the year ended June 30, 2021. Employee contributions to the plan totaled \$54,763 for the year ended June 30, 2021.

NOTE 10 - 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 11 - 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.

NOTE 12 - 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.

READYKIDS, INC.

Notes to Financial Statements
At June 30, 2021 (Continued)

NOTE 13 - 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, 2021</u>
Healthy Families	\$ 294,258
Inside Out	881,088
Growing Minds	123,334
City of Promise	44,459
ReadySteps	236,513
Real Dads	40,511
Star Kids	68,050
Teen Counseling	34,509
Management	1,231
Ready 4 the Future	36,798
Total	<u>\$ 1,760,751</u>

Net assets with donor restrictions as of June 30, 2021 consist of unexpended funds for the following:

Inside Out	\$ 72,475
Events	5,000
Management	21,070
Total	<u>\$ 98,545</u>

NOTE 14 - 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.

READYKIDS, INC.

Notes to Financial Statements
At June 30, 2021 (Continued)

NOTE 14 - 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, 2021:

Beneficial interest - Beginning of year	\$ 1,071,617
Change in value of beneficial interest:	
Income returns	7,120
Gain (loss) on the fund	404,346
Withdrawals from the fund	(100,000)
Administrative fees	<u>(12,914)</u>
Beneficial interest - End of year	<u>\$ 1,370,169</u>

NOTE 15 - 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	\$ 121,399
Keasley fund	16,259
Jefferson fund - Board Endowment	<u>1,232,511</u>
Total	<u>\$ 1,370,169</u>

NOTE 16 - 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.

READYKIDS, INC.

Notes to Financial Statements
At June 30, 2021 (Continued)

NOTE 16 - FAIR VALUE MEASUREMENTS: (CONTINUED)

- 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.

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)
	June 30, 2021		
Beneficial Interest in			
Community Foundation	\$ 1,370,169	\$ -	\$ 1,370,169
Total	<u>\$ 1,370,169</u>	<u>\$ -</u>	<u>\$ 1,370,169</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	\$ 1,071,617
Total gains or losses (realized/unrealized) included in changes in net assets	411,466
Investment expenses	(12,914)
Withdrawals	(100,000)
Ending Balance	<u>\$ 1,370,169</u>

READYKIDS, INC.

Notes to Financial Statements
At June 30, 2021 (Continued)

NOTE 17 - 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 statement of financial position to fund expenses without limitations:

	<u>2021</u>
Cash and cash equivalents	\$ 892,794
Accounts receivable	228,350
Beneficial interest in agency fund held by third party	1,370,169
Total	<u>\$ 2,491,313</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 \$575,766 for the fiscal year ending June 30, 2021.

NOTE 18 - LINE OF CREDIT:

The Organization has a \$900,000 line of credit with Wells Fargo Bank, secured by a credit line Deed of Trust on real estate. Interest accrues annually at the rate of 3.99%. The line of credit matures on July 10, 2022. Advances on the line of credit totaled \$0 at June 30, 2021.

NOTE 19 - ADVANCE OF FUNDS:

On June 4, 2020, the Organization received \$479,950 as part of the Small Business Administration's Paycheck Protection Program (PPP). The Organization received full forgiveness for these funds on April 15, 2021.

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 2, 2021, the date the financial statements were available to be issued.

The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on our future operations and financial results will depend on future developments, including the duration and spread of the outbreak within the areas in which we operate, all of which are highly uncertain.

- Other Supplementary Information -

Reconciliation of Statement of Functional Expenses to Grant Expenditures
Year Ended June 30, 2021
(With Comparative Totals for 2020)

	Program Services					
	Teen Counseling	Growing Minds	Healthy Families	ReadySteps	Inside Out	City of Promise
Salaries and Related Benefits:						
Salaries	\$ 117,477	\$ 314,618	\$ 314,153	\$ 182,324	\$ 685,372	\$ -
Payroll taxes	7,948	22,182	22,816	13,847	51,292	-
Employee benefits	22,092	47,599	60,549	39,767	125,354	-
Total salaries and related benefits	\$ 147,517	\$ 384,399	\$ 397,518	\$ 235,938	\$ 862,018	\$ -
Conferences	927	125	2,434	373	6,284	-
Insurance	1,036	3,162	3,294	4,239	5,999	-
Membership dues	-	-	10,832	1,306	300	-
Utilities	488	1,651	1,647	1,184	3,931	-
Office and postage	381	1,445	1,485	258	3,432	-
Professional and accounting fees	1,274	4,311	3,588	780	10,592	-
Program costs	306	31,842	2,857	4,967	4,919	-
Printing	728	1,309	698	833	2,804	-
Facilities management	1,331	4,379	4,362	3,143	10,397	-
Equipment	62	1,872	1,688	1,637	4,373	-
Repairs/maintenance	5	18	18	13	44	-
Staff development	97	237	682	100	1,087	-
Telephone	1,680	929	4,038	1,480	3,627	-
Travel	-	860	2,039	245	939	-
Bank fees	-	-	-	-	-	-
Pass through to other programs	-	-	-	-	-	44,480
Refunds	-	-	-	-	-	-
Bad debt	-	-	-	-	-	-
Depreciation	6,299	18,676	19,639	11,195	36,609	-
Total statement of functional expenses	\$ 162,131	\$ 455,215	\$ 456,819	\$ 267,691	\$ 957,355	\$ 44,480
Add:						
Grant expenditures netted for financial statement purposes:						
Property and equipment capitalized	\$ 158	\$ 4,213	\$ 4,167	\$ 1,715	\$ 8,871	\$ -
Total grant expenditures	\$ 162,289	\$ 459,428	\$ 460,986	\$ 269,406	\$ 966,226	\$ 44,480

Reconciliation of Statement of Functional Expenses to Grant Expenditures
Year Ended June 30, 2021
(With Comparative Totals for 2020)

	Program Services		Supporting Services		2021 Total	2020 Total
	Others	Total Programs	Management and General	Fundraising		
Salaries and Related Benefits:						
Salaries	\$ 91,498	\$ 1,705,442	\$ 50,632	\$ 119,682	\$ 1,875,756	\$ 2,039,573
Payroll taxes	6,930	125,015	3,850	8,170	137,035	147,991
Employee benefits	15,577	310,938	7,831	15,703	334,472	351,772
Total salaries and related benefits	\$ 114,005	\$ 2,141,395	\$ 62,313	\$ 143,555	\$ 2,347,263	\$ 2,539,336
Conferences	-	10,143	550	-	10,693	12,446
Insurance	2,659	20,389	231	744	21,364	23,755
Membership dues	-	12,438	1,077	1,598	15,113	21,157
Utilities	277	9,178	1,577	487	11,242	14,891
Office and postage	1,026	8,027	89	2,604	10,720	19,937
Professional and accounting fees	3,297	23,842	26,251	965	51,058	86,968
Program costs	2,987	47,878	1,872	2,280	52,030	300,541
Printing	731	7,103	1,741	6,612	15,456	18,277
Facilities management	748	24,360	4,345	1,284	29,989	25,782
Equipment	1,209	10,841	1,329	2,013	14,183	56,743
Repairs/maintenance	3	101	18	5	124	32,019
Staff development	226	2,429	576	57	3,062	3,625
Telephone	1,276	13,030	824	452	14,306	13,432
Travel	-	4,083	-	-	4,083	20,664
Bank fees	-	-	3,993	28,628	32,621	6,742
Pass through to other programs	-	44,480	1,877	-	46,357	-
Refunds	-	-	273	-	273	-
Bad debt	-	-	-	-	-	2,073
Depreciation	5,941	98,359	1,925	5,088	105,372	66,206
Total statement of functional expenses	\$ 134,385	\$ 2,478,076	\$ 110,861	\$ 196,372	\$ 2,785,309	\$ 3,264,594
Add:						
Grant expenditures netted for financial statement purposes:						
Property and equipment capitalized	\$ 91	\$ 19,215	\$ 10,444	\$ 1,118	\$ 30,777	\$ 1,012,003
Total grant expenditures	\$ 134,476	\$ 2,497,291	\$ 121,305	\$ 197,490	\$ 2,816,086	\$ 4,276,597

- Compliance -



**Independent Auditors' 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
ReadyKids, Inc.
Charlottesville, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of ReadyKids, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 2, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered ReadyKids, Inc.'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 ReadyKids, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of ReadyKids, Inc.'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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ReadyKids, Inc.'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 determination 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.

Robinson, Farmer, Cox, Associates

Charlottesville, Virginia

November 2, 2021



**Independent Auditors' Report on Compliance for Each Major Program and on
Internal Control over Compliance Required by the Uniform Guidance**

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

Report on Compliance for Each Major Federal Program

We have audited ReadyKids, Inc.'s (a nonprofit organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of ReadyKids, Inc.'s major federal programs for the year ended June 30, 2021. ReadyKids, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of ReadyKids, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about ReadyKids, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of ReadyKids, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, ReadyKids, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of ReadyKids, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered ReadyKids, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of ReadyKids, Inc.'s internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Robinson, Farmer, Cox, Associates
Charlottesville, Virginia
November 2, 2021

READYKIDS, INC.

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Catalog Number	Pass-Through Grantor Number	Federal Expenditures
Department of Health and Human Services:			
Pass-through payments:			
Virginia Department of Health:			
Temporary Assistance for Needy Families	93.558	Unavailable	\$ 180,716
Community-Based Child Abuse Prevention Grants	93.590	Unavailable	50,000
Basic Center Grant	93.623	Unavailable	<u>121,012</u>
Total Department of Health and Human Services			<u>\$ 351,728</u>
Department of Justice:			
Pass-through payments:			
Virginia Department of Criminal Justice Services:			
Crime Victim Assistance	16.575	20-A4795VD18 20-A4122VP18	<u>\$ 532,535</u>
Total Department of Justice			<u>\$ 532,535</u>
Total Expenditures of Federal Awards			<u><u>\$ 884,263</u></u>

READYKIDS, INC.

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of ReadyKids, Inc. under programs of the federal government for the year ended June 30, 2021. 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 the operations of ReadyKids, Inc., it is not intended and does not present the financial position, changes in net assets, or cash flows of ReadyKids, Inc.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) 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.

(2) Pass-through entity identifying numbers are presented where available.

NOTE C - SUBRECIPIENT MONITORING

No awards were passed through to subrecipients.

NOTE D - INDIRECT COST RATE

ReadyKids, Inc. elected not to use the 10% de minimis cost rate.

NOTE E - RELATIONSHIP TO THE FINANCIAL STATEMENTS

Federal expenditures and revenues are reported in the Organization's financial statements as follows:

Grant funding per Statement of Activities:	
Federal grant revenues	\$ <u>884,263</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u><u>884,263</u></u>

READYKIDS, INC.

Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

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 programs:

Material weakness(es) identified?

___ Yes x No

Significant deficiency(ies) identified?

___ Yes x None reported

Type of auditors' report issued on compliance for major programs:

Unmodified

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

___ Yes x No

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

16.575

Crime Victim Assistance

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

None

Section III-Federal Award Findings and Questioned Costs

None

Section IV - Status of Prior Year Audit Findings

There were no prior year audit findings.