

**READYKIDS, INC.**  
**Charlottesville, Virginia**  
**FINANCIAL REPORT**  
**YEAR ENDED JUNE 30, 2022**

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**Charlottesville, Virginia**  
  
**FINANCIAL REPORT**  
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**Independent Auditors' Report**

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

**Report on the Audit of the Financial Statements**

***Opinion***

We have audited the accompanying financial statements of ReadyKids, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of ReadyKids, Inc. as of June 30, 2022, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of ReadyKids, Inc. 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 ReadyKids, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## ***Auditors' 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 auditors' 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 generally accepted auditing standards 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 generally accepted auditing standards 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 ReadyKids, Inc.'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 ReadyKids, Inc.'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 ReadyKids, Inc. 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 2, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 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 on pages 18 and 19 and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the financial statements.

### ***Supplementary Information (Continued)***

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 supplementary information 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 November 8, 2022, 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.

*Robinson, Farmer, Cox, Associates*

Charlottesville, Virginia  
November 8, 2022

**- Financial Statements -**

READYKIDS, INC.

Statement of Financial Position  
At June 30, 2022  
(With Comparative Totals for 2021)

	<u>2022</u>	<u>2021</u>
<b>Assets:</b>		
Current assets:		
Cash and cash equivalents	\$ 822,086	\$ 892,794
Accounts and grants receivable, (net of allowance for uncollectibles of \$2,690 and \$2,905)	217,568	228,350
Prepaid expenses	61,516	42,162
Total current assets	<u>\$ 1,101,170</u>	<u>\$ 1,163,306</u>
Property and equipment:		
Land, buildings and equipment, (net of accumulated depreciation of \$789,138 and \$707,886)	\$ 3,390,155	\$ 3,490,863
Total property and equipment	<u>\$ 3,390,155</u>	<u>\$ 3,490,863</u>
Other assets:		
Beneficial interest in agency fund held by third party	\$ 1,089,837	\$ 1,370,169
In-kind inventory	1,887	-
Total other assets	<u>\$ 1,091,724</u>	<u>\$ 1,370,169</u>
Total assets	<u><u>\$ 5,583,049</u></u>	<u><u>\$ 6,024,338</u></u>
<b>Liabilities:</b>		
Current liabilities:		
Accounts payable	\$ 24,942	\$ 18,160
Accrued expenses	45,770	45,727
Compensated absences	36,790	35,186
Deferred revenue	75,000	102,004
Accrued interest	-	25,595
Total current liabilities	<u>\$ 182,502</u>	<u>\$ 226,672</u>
Total liabilities	<u>\$ 182,502</u>	<u>\$ 226,672</u>
<b>Net Assets:</b>		
Net assets without donor restrictions:		
Operating	\$ 806,832	\$ 838,089
Designated for long-term purposes	1,089,837	1,370,169
Property and equipment	3,390,155	3,490,863
Total net assets without donor restrictions	<u>\$ 5,286,824</u>	<u>\$ 5,699,121</u>
Net assets with donor restrictions	<u>113,723</u>	<u>98,545</u>
Total net assets	<u>\$ 5,400,547</u>	<u>\$ 5,797,666</u>
Total liabilities and net assets	<u><u>\$ 5,583,049</u></u>	<u><u>\$ 6,024,338</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, 2022  
(With Comparative Totals for 2021)

	Without Donor		With Donor		Total	
	Restrictions	Restrictions	2022	2021	2022	2021
Revenues, gains and other support:						
Federal grants	\$ -	\$ 832,407	\$ 832,407	\$ 884,263		
State grants	-	241,277	241,277	73,197		
Local grants	-	215,396	215,396	195,686		
United Way, Thomas Jefferson Area	-	30,000	30,000	-		
Contract service revenues	306,179	-	306,179	470,698		
Special events	7,400	-	7,400	5,000		
Contributions	580,370	593,988	1,174,358	1,033,324		
In-kind contributions	7,462	-	7,462	-		
Investment income	(266,074)	-	(266,074)	393,047		
Other - PPP loan forgiveness	-	-	-	479,950		
Other	20,862	-	20,862	4,564		
Net assets released from restrictions:						
Satisfaction of program requirements	1,897,890	(1,897,890)	-	-		
Total revenues, gains and other support	\$ 2,554,089	\$ 15,178	\$ 2,569,267	\$ 3,539,729		
Expenses:						
Program services:						
Teen counseling	\$ 175,687	\$ -	\$ 175,687	\$ 162,131		
Growing minds	490,633	-	490,633	455,215		
Healthy families	522,512	-	522,512	456,819		
ReadySteps	240,353	-	240,353	267,691		
Inside out	928,013	-	928,013	957,355		
Stepping stone	19,829	-	19,829	44,480		
Others	142,781	-	142,781	134,385		
Total program services	\$ 2,519,808	\$ -	\$ 2,519,808	\$ 2,478,076		
Supporting services:						
Management and general	\$ 215,494	\$ -	\$ 215,494	\$ 110,861		
Fundraising	231,084	-	231,084	196,372		
Total supporting services	\$ 446,578	\$ -	\$ 446,578	\$ 307,233		
Total expenses	\$ 2,966,386	\$ -	\$ 2,966,386	\$ 2,785,309		
Change in net assets	\$ (412,297)	\$ 15,178	\$ (397,119)	\$ 754,420		
Net assets, beginning of year	5,699,121	98,545	5,797,666	5,043,246		
Net assets, end of year	\$ 5,286,824	\$ 113,723	\$ 5,400,547	\$ 5,797,666		

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



Statement of Functional Expenses  
Year Ended June 30, 2022  
(With Comparative Totals for 2021)

	Program Services					
	Teen Counseling	Growing Minds	Healthy Families	ReadySteps	Inside Out	Stepping Stone
Salaries and Related Benefits:						
Salaries	\$ 131,276	\$ 336,573	\$ 359,943	\$ 164,323	\$ 667,570	\$ -
Payroll taxes	8,806	24,910	26,484	12,453	49,834	-
Employee benefits	20,151	45,169	68,770	35,052	117,171	-
Total salaries and related benefits	\$ 160,233	\$ 406,652	\$ 455,197	\$ 211,828	\$ 834,575	\$ -
Conferences	410	1,740	3,648	310	7,942	-
Insurance	1,428	4,145	2,462	6,034	7,681	-
Membership dues	-	-	11,202	1,687	540	-
Utilities	532	2,189	1,897	872	4,024	-
Office and postage	489	2,614	1,958	911	3,238	-
Professional and accounting fees	1,109	17,264	2,739	2,018	8,897	-
Program costs	391	21,181	5,408	2,993	7,114	-
Printing	502	2,561	968	700	3,449	-
Facilities management	913	3,098	2,923	1,549	7,340	-
Equipment	163	1,506	5,509	630	3,154	-
Repairs/maintenance	7	23	16	11	51	-
Staff development	292	642	811	310	1,360	-
Telephone	1,653	2,150	3,983	1,229	3,770	-
Travel	1,398	8,061	3,381	134	1,363	-
Bank fees	34	96	137	58	173	-
Pass through to other programs	-	-	-	-	-	19,829
Refunds	-	-	-	-	-	-
Bad debt	-	-	-	-	-	-
Depreciation	6,133	16,711	20,273	9,079	33,342	-
Total expenses	\$ 175,687	\$ 490,633	\$ 522,512	\$ 240,353	\$ 928,013	\$ 19,829

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

Statement of Functional Expenses  
Year Ended June 30, 2022  
(With Comparative Totals for 2021)

	Program Services		Supporting Services		2022 Total	2021 Total
	Others	Total Programs	Management and General	Fundraising		
Salaries and Related Benefits:						
Salaries	\$ 100,497	\$ 1,760,182	\$ 114,742	\$ 158,574	\$ 2,033,498	\$ 1,875,756
Payroll taxes	7,625	130,112	8,672	10,637	149,421	137,035
Employee benefits	15,494	301,807	18,684	21,787	342,278	334,472
Total salaries and related benefits	\$ 123,616	\$ 2,192,101	\$ 142,098	\$ 190,998	\$ 2,525,197	\$ 2,347,263
Conferences	80	14,130	1,387	-	15,517	10,693
Insurance	1,453	23,203	4,782	1,099	29,084	21,364
Membership dues	-	13,429	1,268	1,706	16,403	15,113
Utilities	595	10,109	1,560	673	12,342	11,242
Office and postage	595	9,805	1,328	3,887	15,020	10,720
Professional and accounting fees	1,071	33,098	20,254	3,028	56,380	51,058
Program costs	2,389	39,476	6,727	10,914	57,117	52,030
Printing	1,005	9,185	1,533	5,125	15,843	15,456
Facilities management	1,060	16,883	3,131	1,208	21,222	29,989
Equipment	657	11,619	2,950	1,379	15,948	14,183
Repairs/maintenance	7	115	20	106	241	124
Staff development	247	3,662	315	237	4,214	3,062
Telephone	1,300	14,085	1,450	599	16,134	14,306
Travel	2,938	17,275	133	-	17,408	4,083
Bank fees	37	535	4,005	3,216	7,756	32,621
Pass through to other programs	-	19,829	17,814	-	37,643	46,357
Refunds	-	-	-	-	-	273
Bad debt	-	-	(215)	-	(215)	-
Depreciation	5,731	91,269	4,954	6,909	103,132	105,372
Total expenses	\$ 142,781	\$ 2,519,808	\$ 215,494	\$ 231,084	\$ 2,966,386	\$ 2,785,309

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

READYKIDS, INC.

Statement of Cash Flows  
Year Ended June 30, 2022  
(With Comparative Totals for 2021)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ (397,119)	\$ 754,420
Adjustment to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	103,132	105,372
Change in beneficial interest in agency fund	280,332	(298,552)
Forgiveness of PPP loan	-	(479,950)
Loss on disposal of assets	-	3,705
Changes in:		
Accounts and grants receivable	10,782	118,175
Contributions receivable	-	293,586
Prepaid expenses	(19,354)	3,165
In-kind inventory	(1,887)	-
Accounts payable	6,782	(3,070)
Accrued expenses	43	38,237
Compensated absences	1,604	1,784
Deferred revenue	(27,004)	17,004
Accrued interest	(25,595)	25,595
Net cash provided by (used for) operating activities	<u>\$ (68,284)</u>	<u>\$ 579,471</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>\$ (2,424)</u>	<u>\$ (34,482)</u>
Net cash provided by (used for) investing activities	<u>\$ (2,424)</u>	<u>\$ (34,482)</u>
Cash flows from financing activities:		
Payment of line of credit	<u>\$ -</u>	<u>\$ (520,000)</u>
Net cash provided by (used for) financing activities	<u>\$ -</u>	<u>\$ (520,000)</u>
Net change in cash and cash equivalents	\$ (70,708)	\$ 24,989
Cash and cash equivalents at beginning of year	<u>892,794</u>	<u>867,805</u>
Cash and cash equivalents at end of year	<u><u>\$ 822,086</u></u>	<u><u>\$ 892,794</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, 2022

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### **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 FY22, 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, 2022, the Organization had net assets without donor restrictions of \$5,286,824.

*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, 2022, the Organization had net assets with donor restrictions of \$113,723.

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 \$103,132 for the year ended June 30, 2022.

## READYKIDS, INC.

Notes to Financial Statements  
At June 30, 2022 (Continued)

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### 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 \$36,790 at June 30, 2022.

#### 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, 2022 (Continued)

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### 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 \$574,471 of uninsured bank balances at June 30, 2022.

### 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	\$	25,604
City of Promise		1,090
Child Development Resources		10,160
Community Attention		10,278
Department of Criminal Justice Services		95,875
MIECHV Program		7,479
VFHY/STAR Kids		1,783
Sentara		24,191
United Way		43,475
Others		323
Subtotal	\$	220,258
Less: Allowance for uncollectibles		(2,690)
Net accounts and grants receivable	\$	<u>217,568</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, 2022 (Continued)

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**NOTE 5 - PROPERTY AND EQUIPMENT:**

Property and equipment consist of the following:

Land	\$	778,230
Building and improvements		2,999,937
Equipment		89,048
Furniture and fixtures		244,297
Vehicles		67,781
		<u>          </u>
Total	\$	4,179,293
Accumulated depreciation		<u>(789,138)</u>
Net property and equipment	\$	<u><u>3,390,155</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, 2022</u>
Healthy Families	Commonwealth of Virginia	\$ 180,716
Various	Victim Services Grant Program	400,000
Various	City of Charlottesville	140,846
Various	County of Albemarle	72,450
Child Care Quality	Child Development Resources	152,240

**NOTE 7 - INVESTMENT INCOME:**

Included in investment income for the year ended June 30, 2022 are:

	<u>Year Ended June 30, 2022</u>
Interest income	\$ 63
Income on beneficial interest in agency fund	11,052
Gain (loss) on beneficial interest in agency fund	<u>(262,544)</u>
Total investment income	\$ <u><u>(251,429)</u></u>
Investment expenses	\$ <u>(14,645)</u>
Net investment income	\$ <u><u>(266,074)</u></u>

**READYKIDS, INC.**

Notes to Financial Statements  
At June 30, 2022 (Continued)

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**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 \$16,416 for the year ended June 30, 2022. Employee contributions to the plan totaled \$55,543 for the year ended June 30, 2022.

**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, 2022 (Continued)

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**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</u> <u>June 30, 2022</u>
Healthy Families	\$ 413,259
Inside Out	831,919
Growing Minds	183,313
ReadySteps	180,486
Real Dads	42,074
Star Kids	51,137
Teen Counseling	156,447
Stepping Stone	14,255
Management	25,000
Others	-
Total	<u>\$ 1,897,890</u>

Net assets with donor restrictions as of June 30, 2022 consist of unexpended funds for the following:

Inside Out	\$ 74,590
Events	5,000
Stepping Stone	13,063
Management	<u>21,070</u>
Total	<u>\$ 113,723</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, 2022 (Continued)

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**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, 2022:

Beneficial interest - Beginning of year	\$ 1,370,169
Change in value of beneficial interest:	
Gain (loss) on the fund	(265,687)
Administrative fees	<u>(14,645)</u>
Beneficial interest - End of year	<u><u>\$ 1,089,837</u></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	\$ 97,721
Jefferson fund - Board Endowment	<u>992,116</u>
Total	<u><u>\$ 1,089,837</u></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.
- 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, 2022 (Continued)

**NOTE 16 - 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, 2022</u>		
Beneficial Interest in			
Community Foundation	\$ 1,089,837	\$ -	\$ 1,089,837
Total	<u>\$ 1,089,837</u>	<u>\$ -</u>	<u>\$ 1,089,837</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	\$ 1,370,169
Total gains or losses (realized/unrealized) included in changes in net assets	(265,687)
Investment expenses	(14,645)
Ending Balance	<u>\$ 1,089,837</u>

READYKIDS, INC.

Notes to Financial Statements  
At June 30, 2022 (Continued)

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**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>2022</u>
Cash and cash equivalents	\$ 822,086
Accounts receivable	217,568
Beneficial interest in agency fund held by third party	<u>1,089,837</u>
Total	<u>\$ 2,129,491</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 negative cash of \$68,284 for the fiscal year ending June 30, 2022.

**NOTE 18 - 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 8, 2022, the date the financial statements were available to be issued.

**- Other Supplementary Information -**

Reconciliation of Statement of Functional Expenses to Grant Expenditures  
Year Ended June 30, 2022  
(With Comparative Totals for 2021)

	Program Services					
	Teen Counseling	Growing Minds	Healthy Families	ReadySteps	Inside Out	Stepping Stone
Salaries and Related Benefits:						
Salaries	\$ 131,276	\$ 336,573	\$ 359,943	\$ 164,323	\$ 667,570	\$ -
Payroll taxes	8,806	24,910	26,484	12,453	49,834	-
Employee benefits	20,151	45,169	68,770	35,052	117,171	-
Total salaries and related benefits	\$ 160,233	\$ 406,652	\$ 455,197	\$ 211,828	\$ 834,575	\$ -
Conferences	410	1,740	3,648	310	7,942	-
Insurance	1,428	4,145	2,462	6,034	7,681	-
Membership dues	-	-	11,202	1,687	540	-
Utilities	532	2,189	1,897	872	4,024	-
Office and postage	489	2,614	1,958	911	3,238	-
Professional and accounting fees	1,109	17,264	2,739	2,018	8,897	-
Program costs	391	21,181	5,408	2,993	7,114	-
Printing	502	2,561	968	700	3,449	-
Facilities management	913	3,098	2,923	1,549	7,340	-
Equipment	163	1,506	5,509	630	3,154	-
Repairs/maintenance	7	23	16	11	51	-
Staff development	292	642	811	310	1,360	-
Telephone	1,653	2,150	3,983	1,229	3,770	-
Travel	1,398	8,061	3,381	134	1,363	-
Bank fees	34	96	137	58	173	-
Pass through to other programs	-	-	-	-	-	19,829
Refunds	-	-	-	-	-	-
Bad debt	-	-	-	-	-	-
Depreciation	6,133	16,711	20,273	9,079	33,342	-
Total statement of functional expenses	\$ 175,687	\$ 490,633	\$ 522,512	\$ 240,353	\$ 928,013	\$ 19,829
Add:						
Grant expenditures netted for financial statement purposes:						
Property and equipment capitalized	\$ 12	\$ 332	\$ 328	\$ 135	\$ 699	\$ -
Total grant expenditures	\$ 175,699	\$ 490,965	\$ 522,840	\$ 240,488	\$ 928,712	\$ 19,829

Reconciliation of Statement of Functional Expenses to Grant Expenditures  
Year Ended June 30, 2022  
(With Comparative Totals for 2021)

	Program Services		Supporting Services		2022 Total	2021 Total
	Others	Total Programs	Management and General	Fundraising		
Salaries and Related Benefits:						
Salaries	\$ 100,497	\$ 1,760,182	\$ 114,742	\$ 158,574	\$ 2,033,498	\$ 1,875,756
Payroll taxes	7,625	130,112	8,672	10,637	149,421	137,035
Employee benefits	15,494	301,807	18,684	21,787	342,278	334,472
Total salaries and related benefits	\$ 123,616	\$ 2,192,101	\$ 142,098	\$ 190,998	\$ 2,525,197	\$ 2,347,263
Conferences	80	14,130	1,387	-	15,517	10,693
Insurance	1,453	23,203	4,782	1,099	29,084	21,364
Membership dues	-	13,429	1,268	1,706	16,403	15,113
Utilities	595	10,109	1,560	673	12,342	11,242
Office and postage	595	9,805	1,328	3,887	15,020	10,720
Professional and accounting fees	1,071	33,098	20,254	3,028	56,380	51,058
Program costs	2,389	39,476	6,727	10,914	57,117	52,030
Printing	1,005	9,185	1,533	5,125	15,843	15,456
Facilities management	1,060	16,883	3,131	1,208	21,222	29,989
Equipment	657	11,619	2,950	1,379	15,948	14,183
Repairs/maintenance	7	115	20	106	241	124
Staff development	247	3,662	315	237	4,214	3,062
Telephone	1,300	14,085	1,450	599	16,134	14,306
Travel	2,938	17,275	133	-	17,408	4,083
Bank fees	37	535	4,005	3,216	7,756	32,621
Pass through to other programs	-	19,829	17,814	-	37,643	46,357
Refunds	-	-	-	-	-	273
Bad debt	-	-	(215)	-	(215)	-
Depreciation	5,731	91,269	4,954	6,909	103,132	105,372
Total statement of functional expenses	\$ 142,781	\$ 2,519,808	\$ 215,494	\$ 231,084	\$ 2,966,386	\$ 2,785,309
Add:						
Grant expenditures netted for financial statement purposes:						
Property and equipment capitalized	\$ 7	\$ 1,513	\$ 823	\$ 88	\$ 2,424	\$ 30,777
Total grant expenditures	\$ 142,788	\$ 2,521,321	\$ 216,317	\$ 231,172	\$ 2,968,810	\$ 2,816,086

- 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***

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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, 2022, 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 8, 2022.

**Report on 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 or significant deficiencies may exist that have not been identified.

**Report on 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 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 8, 2022



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

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

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited ReadyKids, Inc.'s (a nonprofit 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 each of ReadyKids, Inc.'s major federal programs for the year ended June 30, 2022. ReadyKids, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of ReadyKids, Inc. 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 ReadyKids, Inc.'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 ReadyKids, Inc.'s federal programs.

## ***Auditors' 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 ReadyKids, Inc.'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 generally accepted auditing standards, *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 ABC Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 ReadyKids, Inc.'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 ReadyKids, Inc.'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 ReadyKids, Inc.'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 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 Auditors' 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.

## Report on Internal Control over Compliance (Continued)

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.

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 8, 2022

READYKIDS, INC.

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing 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	\$ 186,303
Community-Based Child Abuse Prevention Grants	93.590	Unavailable	49,337
Basic Center Grant	93.623	Unavailable	120,152
Maternal, Infant and Early Childhood Home Visiting Grant	93.870	Unavailable	<u>76,615</u>
Total Department of Health and Human Services			<u>\$ 432,407</u>
Department of Justice:			
Pass-through payments:			
Virginia Department of Criminal Justice Services:			
Crime Victim Assistance	16.575	20-A4795VD18 20-A4122VP18	\$ <u>400,000</u>
Total Department of Justice			<u>\$ 400,000</u>
Total Expenditures of Federal Awards			<u><u>\$ 832,407</u></u>

READYKIDS, INC.

Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2022

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**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, 2022. 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>832,407</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u><u>832,407</u></u>

READYKIDS, INC.

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2022

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:

Assistance Listing

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?   x   Yes        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.