

READYKIDS, INC.
Charlottesville, Virginia
FINANCIAL REPORT
YEAR ENDED JUNE 30, 2023

READYKIDS, INC.
Charlottesville, Virginia

FINANCIAL REPORT
YEAR ENDED JUNE 30, 2023

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Independent Auditors' Report

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, 2023, 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, 2023, 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.

Report on Summarized Comparative Information

We have previously audited the ReadyKids, Inc. 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 8, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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.

Responsibilities of Management for the Financial Statements (Continued)

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.

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 17 and 18 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. 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

Supplementary Information (Continued)

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 12, 2023, 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 12, 2023

- Financial Statements -

READYKIDS, INC.

Statement of Financial Position
At June 30, 2023
(With Comparative Totals for 2022)

	<u>2023</u>	<u>2022</u>
Assets:		
Current assets:		
Cash and cash equivalents	\$ 1,177,348	\$ 822,086
Accounts and grants receivable, (net of allowance for uncollectibles of \$3,957 and \$2,690)	294,951	217,568
Contributions receivable, (net of allowance for uncollectibles of \$0 and \$0)	3,000	-
Prepaid expenses	68,906	61,516
Total current assets	<u>\$ 1,544,205</u>	<u>\$ 1,101,170</u>
Property and equipment:		
Land, buildings and equipment, (net of accumulated depreciation of \$859,623 and \$789,138)	\$ 3,320,071	\$ 3,390,155
Total property and equipment	<u>\$ 3,320,071</u>	<u>\$ 3,390,155</u>
Other assets:		
Beneficial interest in agency fund held by third party	\$ 1,306,156	\$ 1,089,837
In-kind inventory	-	1,887
Total other assets	<u>\$ 1,306,156</u>	<u>\$ 1,091,724</u>
Total assets	<u><u>\$ 6,170,432</u></u>	<u><u>\$ 5,583,049</u></u>
Liabilities:		
Current liabilities:		
Accounts payable	\$ 31,429	\$ 24,942
Accrued expenses	46,914	45,770
Compensated absences	37,063	36,790
Deferred revenue	210,000	75,000
Total current liabilities	<u>\$ 325,406</u>	<u>\$ 182,502</u>
Total liabilities	<u>\$ 325,406</u>	<u>\$ 182,502</u>
Net Assets:		
Net assets without donor restrictions:		
Operating	\$ 837,143	\$ 806,832
Designated for long-term purposes	1,306,156	1,089,837
Property and equipment	3,320,071	3,390,155
Total net assets without donor restrictions	<u>\$ 5,463,370</u>	<u>\$ 5,286,824</u>
Net assets with donor restrictions	381,656	113,723
Total net assets	<u>\$ 5,845,026</u>	<u>\$ 5,400,547</u>
Total liabilities and net assets	<u><u>\$ 6,170,432</u></u>	<u><u>\$ 5,583,049</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, 2023
(With Comparative Totals for 2022)

	Without Donor		With Donor		Total	
	Restrictions	Restrictions	2023	2022	2023	2022
Revenues, gains and other support:						
Federal grants	\$ -	\$ 967,119	\$ 967,119	\$ 832,407		
State grants	-	284,522	284,522	241,277		
Local grants	-	318,184	318,184	215,396		
United Way, Thomas Jefferson Area	-	30,000	30,000	30,000		
Contract service revenues	276,445		276,445	306,179		
Special events	37,639	-	37,639	7,400		
Contributions	651,410	949,579	1,600,989	1,174,358		
In-kind contributions	-	-	-	7,462		
Investment income	130,235	-	130,235	(266,074)		
Other	45,574	512	46,086	20,862		
Net assets released from restrictions:						
Satisfaction of program requirements	2,281,983	(2,281,983)	-	-		
Total revenues, gains and other support	\$ 3,423,286	\$ 267,933	\$ 3,691,219	\$ 2,569,267		
Expenses:						
Program services:						
Teen counseling	\$ 244,925	\$ -	\$ 244,925	\$ 175,687		
Growing minds	515,904	-	515,904	490,633		
Healthy families	685,732	-	685,732	522,512		
ReadySteps	202,052	-	202,052	240,353		
Inside out	839,192	-	839,192	928,013		
Stepping stone	55,054	-	55,054	19,829		
Others	205,012	-	205,012	142,781		
Total program services	\$ 2,747,871	\$ -	\$ 2,747,871	\$ 2,519,808		
Supporting services:						
Management and general	\$ 209,269	\$ -	\$ 209,269	\$ 215,494		
Fundraising	289,600	-	289,600	231,084		
Total supporting services	\$ 498,868	\$ -	\$ 498,868	\$ 446,578		
Total expenses	\$ 3,246,740	\$ -	\$ 3,246,740	\$ 2,966,386		
Change in net assets	\$ 176,546	\$ 267,933	\$ 444,479	\$ (397,119)		
Net assets, beginning of year	5,286,824	113,723	5,400,547	5,797,666		
Net assets, end of year	\$ 5,463,370	\$ 381,656	\$ 5,845,026	\$ 5,400,547		

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

Statement of Functional Expenses
Year Ended June 30, 2023
(With Comparative Totals for 2022)

	Program Services					
	Teen Counseling	Growing Minds	Healthy Families	ReadySteps	Inside Out	Stepping Stone
Salaries and Related Benefits:						
Salaries	\$ 182,377	\$ 357,573	\$ 474,307	\$ 146,489	\$ 600,743	\$ -
Payroll taxes	12,787	27,046	35,327	11,086	44,800	-
Employee benefits	27,013	48,997	81,492	20,073	94,577	-
Total salaries and related benefits	\$ 222,177	\$ 433,616	\$ 591,126	\$ 177,648	\$ 740,120	\$ -
Advertising	-	-	-	-	400	-
Conferences	1,003	1,278	2,724	287	8,945	-
Insurance	1,343	4,298	3,495	1,881	8,865	872
Membership dues	-	-	11,124	1,625	780	25
Utilities	613	2,236	2,106	824	3,721	-
Office and postage	648	3,214	2,138	957	3,719	1,013
Professional and accounting fees	2,054	14,699	5,804	3,417	16,497	3,600
Program costs	657	20,982	28,590	2,076	5,862	22,382
Printing	709	1,285	821	683	3,456	81
Facilities management	1,165	3,726	3,041	1,634	7,701	-
Equipment	351	1,052	2,796	401	2,181	-
Repairs/maintenance	9	26	19	73	36	-
Rent	-	-	-	500	-	13,041
Staff development	478	1,359	996	592	1,912	1,428
Telephone	1,448	1,523	7,343	1,066	3,874	-
Travel	5,075	5,028	8,201	156	1,299	111
Bank fees	38	111	71	53	173	-
Pass through to other programs	-	-	-	-	-	12,501
Bad debt	-	-	-	-	-	-
Depreciation	7,157	21,471	15,337	8,179	29,651	-
Total expenses	\$ 244,925	\$ 515,904	\$ 685,732	\$ 202,052	\$ 839,192	\$ 55,054

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

Statement of Functional Expenses
Year Ended June 30, 2023
(With Comparative Totals for 2022)

	Program Services		Supporting Services		2023 Total	2022 Total
	Others	Total Programs	Management and General	Fundraising		
Salaries and Related Benefits:						
Salaries	\$ 143,767	\$ 1,905,256	\$ 86,274	\$ 185,734	\$ 2,177,265	\$ 2,033,498
Payroll taxes	10,922	141,969	6,511	13,461	161,941	149,421
Employee benefits	20,175	292,326	31,592	32,888	356,806	342,278
Total salaries and related benefits	\$ 174,864	\$ 2,339,551	\$ 124,377	\$ 232,083	\$ 2,696,011	\$ 2,525,197
Advertising	-	400	-	250	650	-
Conferences	1,560	15,797	1,538	691	18,026	15,517
Insurance	1,343	22,097	4,027	1,612	27,736	29,084
Membership dues	-	13,554	831	8,555	22,940	16,403
Utilities	613	10,113	1,517	747	12,377	12,342
Office and postage	822	12,511	1,483	2,963	16,957	15,020
Professional and accounting fees	2,184	48,255	19,662	4,417	72,334	56,380
Program costs	5,266	85,815	7,908	16,630	110,353	57,117
Printing	1,075	8,110	1,617	5,646	15,373	15,843
Facilities management	1,167	18,434	3,570	1,402	23,406	21,222
Equipment	1,169	7,950	200	451	8,601	15,948
Repairs/maintenance	9	172	5	12	189	241
Rent	-	13,541	-	-	13,541	-
Staff development	453	7,218	531	583	8,332	4,214
Telephone	1,364	16,618	1,333	684	18,635	16,134
Travel	5,928	25,798	88	-	25,886	17,408
Bank fees	38	484	4,045	3,672	8,201	7,756
Pass through to other programs	-	12,501	31,180	-	43,681	37,643
Bad debt	-	-	1,267	-	1,267	(215)
Depreciation	7,157	88,952	4,089	9,202	102,243	103,132
Total expenses	\$ 205,012	\$ 2,747,871	\$ 209,269	\$ 289,600	\$ 3,246,740	\$ 2,966,386

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

READYKIDS, INC.

Statement of Cash Flows
Year Ended June 30, 2023
(With Comparative Totals for 2022)

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 444,479	\$ (397,119)
Adjustment to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	102,243	103,132
Change in beneficial interest in agency fund	(216,319)	280,332
Forgiveness of PPP loan	-	-
Loss on disposal of assets	-	-
Changes in:		
Accounts and grants receivable	(77,383)	10,782
Contributions receivable	(3,000)	-
Prepaid expenses	(7,390)	(19,354)
In-kind inventory	1,887	(1,887)
Accounts payable	6,487	6,782
Accrued expenses	1,144	43
Compensated absences	273	1,604
Deferred revenue	135,000	(27,004)
Accrued interest	-	(25,595)
Net cash provided by (used for) operating activities	<u>\$ 387,422</u>	<u>\$ (68,284)</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>\$ (32,160)</u>	<u>\$ (2,424)</u>
Net cash provided by (used for) investing activities	<u>\$ (32,160)</u>	<u>\$ (2,424)</u>
Net change in cash and cash equivalents	\$ 355,262	\$ (70,708)
Cash and cash equivalents at beginning of year	<u>822,086</u>	<u>892,794</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,177,348</u></u>	<u><u>\$ 822,086</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, 2023

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.

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, 2023, the Organization had net assets without donor restrictions of \$5,435,247.

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, 2023, the Organization had net assets with donor restrictions of \$409,779.

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 \$102,243 for the year ended June 30, 2023.

READYKIDS, INC.

Notes to Financial Statements
At June 30, 2023 (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 \$37,063 at June 30, 2023.

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, 2023 (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 no uninsured bank balances at June 30, 2023.

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	\$	29,695
Child Health Partnership		5,000
Child Development Resources		24,661
Community Attention		15,669
Department of Criminal Justice Services		116,388
MIECHV Program		32,463
Sentara		26,842
United Way		47,867
Others		<u>323</u>
Subtotal	\$	298,908
Less: Allowance for uncollectibles		<u>(3,957)</u>
Net accounts and grants receivable	\$	<u><u>294,951</u></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, 2023 (Continued)

NOTE 5 - PROPERTY AND EQUIPMENT:

Property and equipment consist of the following:

Land	\$	778,230
Building and improvements		3,006,941
Equipment		83,445
Furniture and fixtures		243,297
Vehicles		67,781
		<hr/>
Total	\$	4,179,694
Accumulated depreciation		(859,623)
		<hr/>
Net property and equipment	\$	<u>3,320,071</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, 2023</u>
Healthy Families	Commonwealth of Virginia	\$ 180,716
Various	Victim Services Grant Program	400,000
Various	City of Charlottesville	152,447
Various	County of Albemarle	165,737
Child Care Quality	Child Development Resources	189,151

NOTE 7 - INVESTMENT INCOME:

Included in investment income for the year ended June 30, 2023 are:

	<u>Year Ended June 30, 2023</u>
Interest income	\$ 14,676
Income on beneficial interest in agency fund	15,366
Gain (loss) on beneficial interest in agency fund	115,428
	<hr/>
Total investment income	\$ <u>145,470</u>
	<hr/>
Investment expenses	\$ (15,235)
	<hr/>
Net investment income	\$ <u>130,235</u>

READYKIDS, INC.

Notes to Financial Statements
At June 30, 2023 (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 \$39,065 for the year ended June 30, 2023. Employee contributions to the plan totaled \$14,235 for the year ended June 30, 2023.

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, 2023 (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, 2023</u>
Healthy Families	\$ 615,080
Inside Out	766,636
Growing Minds	237,457
ReadySteps	195,174
Real Dads	38,516
Star Kids	68,317
Teen Counseling	244,925
Stepping Stone	57,108
Management	46,270
Others	<u>12,500</u>
Total	<u><u>\$ 2,281,983</u></u>

Net assets with donor restrictions as of June 30, 2023 consist of unexpended funds for the following:

Inside Out	\$ 331,655
Healthy Families	<u>50,001</u>
Total	<u><u>\$ 381,656</u></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.

The changes in the agency fund are as follows for the year ended June 30, 2023:

Beneficial interest - Beginning of year	\$ 1,089,837
Change in value of beneficial interest:	
Income returns	15,279
Gain (loss) on the fund	116,101
Contributions to the fund	100,000
Withdrawals from the fund	
Administrative fees	<u>(15,061)</u>
Beneficial interest - End of year	<u><u>\$ 1,306,156</u></u>

READYKIDS, INC.

Notes to Financial Statements
At June 30, 2023 (Continued)

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	\$ 213,309
Jefferson fund - Board Endowment	<u>1,092,847</u>
Total	<u><u>\$ 1,306,156</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.

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, 2023</u>		
Beneficial Interest in Community Foundation	\$ <u>1,306,156</u>	\$ <u>-</u>	\$ <u>1,306,156</u>
Total	<u><u>\$ 1,306,156</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,306,156</u></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.

READYKIDS, INC.Notes to Financial Statements
At June 30, 2023 (Continued)**NOTE 16 - FAIR VALUE MEASUREMENTS: (CONTINUED)**

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) <u>Beneficial Interest in Community Foundation</u>
Beginning Balance	\$ 1,089,837
Total gains or losses (realized/unrealized) included in changes in net assets	131,380
Investment expenses	(15,061)
Contributions	100,000
Ending Balance	<u>\$ 1,306,156</u>

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>2023</u>
Cash and cash equivalents	\$ 1,177,348
Accounts receivable	294,951
Beneficial interest in agency fund held by third party	1,306,156
Total	<u>\$ 2,778,455</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 \$387,421 for the fiscal year ending June 30, 2023.

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 12, 2023, the date the financial statements were available to be issued.

- Supplementary Information -

Reconciliation of Statement of Functional Expenses to Grant Expenditures
 Year Ended June 30, 2023
 (With Comparative Totals for 2022)

	Program Services					
	Teen Counseling	Growing Minds	Healthy Families	ReadySteps	Inside Out	Stepping Stone
Salaries and Related Benefits:						
Salaries	\$ 182,377	\$ 357,573	\$ 474,307	\$ 146,489	\$ 600,743	\$ -
Payroll taxes	12,787	27,046	35,327	11,086	44,800	-
Employee benefits	27,013	48,997	81,492	20,073	94,577	-
Total salaries and related benefits	\$ 222,177	\$ 433,616	\$ 591,126	\$ 177,648	\$ 740,120	\$ -
Advertising	-	-	-	-	400	-
Conferences	1,003	1,278	2,724	287	8,945	-
Insurance	1,343	4,298	3,495	1,881	8,865	872
Membership dues	-	-	11,124	1,625	780	25
Utilities	613	2,236	2,106	824	3,721	-
Office and postage	648	3,214	2,138	957	3,719	1,013
Professional and accounting fees	2,054	14,699	5,804	3,417	16,497	3,600
Program costs	657	20,982	28,590	2,076	5,862	22,382
Printing	709	1,285	821	683	3,456	81
Facilities management	1,165	3,726	3,041	1,634	7,701	-
Equipment	351	1,052	2,796	401	2,181	-
Repairs/maintenance	9	26	19	73	36	-
Rent	-	-	-	500	-	13,041
Staff development	478	1,359	996	592	1,912	1,428
Telephone	1,448	1,523	7,343	1,066	3,874	-
Travel	5,075	5,028	8,201	156	1,299	111
Bank fees	38	111	71	53	173	-
Pass through to other programs	-	-	-	-	-	12,501
Refunds	-	-	-	-	-	-
Bad debt	-	-	-	-	-	-
Depreciation	7,157	21,471	15,337	8,179	29,651	-
Total statement of functional expenses	\$ 244,925	\$ 515,904	\$ 685,732	\$ 202,052	\$ 839,192	\$ 55,054
Add:						
Grant expenditures netted for financial statement purposes:						
Property and equipment capitalized	\$ 2,426	\$ 5,110	\$ 6,792	\$ 2,001	\$ 8,312	\$ 545
Total grant expenditures	\$ 247,351	\$ 521,014	\$ 692,524	\$ 204,053	\$ 847,504	\$ 55,599

Reconciliation of Statement of Functional Expenses to Grant Expenditures
Year Ended June 30, 2023
(With Comparative Totals for 2022)

	Program Services		Supporting Services		2023 Total	2022 Total
	Others	Total Programs	Management and General	Fundraising		
Salaries and Related Benefits:						
Salaries	\$ 143,767	\$ 1,905,256	\$ 86,274	\$ 185,734	\$ 2,177,265	\$ 2,033,498
Payroll taxes	10,922	141,969	6,511	13,461	161,941	149,421
Employee benefits	20,175	292,326	31,592	32,888	356,806	342,278
Total salaries and related benefits	\$ 174,864	\$ 2,339,551	\$ 124,377	\$ 232,083	\$ 2,696,011	\$ 2,525,197
Advertising	-	400	-	250	650	-
Conferences	1,560	15,797	1,538	691	18,026	15,517
Insurance	1,343	22,097	4,027	1,612	27,736	29,084
Membership dues	-	13,554	831	8,555	22,940	16,403
Utilities	613	10,113	1,517	747	12,377	12,342
Office and postage	822	12,511	1,483	2,963	16,957	15,020
Professional and accounting fees	2,184	48,255	19,662	4,417	72,334	56,380
Program costs	5,266	85,815	7,908	16,630	110,353	57,117
Printing	1,075	8,110	1,617	5,646	15,373	15,843
Facilities management	1,167	18,434	3,570	1,402	23,406	21,222
Equipment	1,169	7,950	200	451	8,601	15,948
Repairs/maintenance	9	172	5	12	189	241
Rent	-	13,541	-	-	13,541	-
Staff development	453	7,218	531	583	8,332	4,214
Telephone	1,364	16,618	1,333	684	18,635	16,134
Travel	5,928	25,798	88	-	25,886	17,408
Bank fees	38	484	4,045	3,672	8,201	7,756
Pass through to other programs	-	12,501	31,180	-	43,681	37,643
Refunds	-	-	-	-	-	-
Bad debt	-	-	1,267	-	1,267	(215)
Depreciation	7,157	88,952	4,089	9,202	102,243	103,132
Total statement of functional expenses	\$ 205,012	\$ 2,747,871	\$ 209,269	\$ 289,600	\$ 3,246,740	\$ 2,966,386
Add:						
Grant expenditures netted for financial statement purposes:						
Property and equipment capitalized	\$ 2,031	\$ 27,217	\$ 2,074	\$ 2,869	\$ 32,160	\$ 2,424
Total grant expenditures	\$ 207,043	\$ 2,775,088	\$ 211,343	\$ 292,469	\$ 3,278,900	\$ 2,968,810

- 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, 2023, 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 12, 2023.

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 12, 2023



**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

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, 2023. 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 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, 2023.

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 12, 2023

READYKIDS, INC.

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

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	\$ 222,948
Community-Based Child Abuse Prevention Grants	93.590	Unavailable	59,824
Basic Center Grant	93.623	Unavailable	159,925
Maternal, Infant and Early Childhood Home Visiting Grant	93.870	Unavailable	<u>124,422</u>
Total Department of Health and Human Services			<u>\$ 567,119</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>\$ 967,119</u></u>

See accompanying notes to schedule of expenditures of federal awards.

READYKIDS, INC.

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

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>967,119</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u><u>967,119</u></u>

READYKIDS, INC.

Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

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.