FORKIDS, INC. AND SUBSIDIARIES
(A NONPROFIT ORGANIZATION)

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES

As of and for the Year Ended June 30, 2017
(With Comparative Information for 2016)

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

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(A NONPROFIT ORGANIZATION)
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Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

To the Board of Directors
ForKids, inc.
Norfolk, Virginia

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of ForKids, inc. and Subsidiaries (the “Organization”), which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities and change in net assets, functional expenses, and cash flows, for the year then ended, and the related notes to the consolidated financial statements.

Management’s Responsibility for the Consolidated Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ForKids, inc. and Subsidiaries as of June 30, 2017, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the ForKids, inc. and Subsidiaries' June 30, 2016 consolidated financial statements and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 5, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying 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*, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2017 on our consideration of ForKids, inc. and Subsidiaries' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Virginia Beach, Virginia
November 11, 2017

FORKIDS, INC. AND SUBSIDIARIES
(A NONPROFIT ORGANIZATION)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2017 (WITH COMPARATIVE TOTALS FOR 2016)

	Unrestricted	Temporarily Restricted	2017 Total	Comparative 2016 Total
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 365,709	$ 714,622	$ 1,080,331	$ 1,095,594
United Way endowment fund	51,566	-	51,566	46,910
Inventory	84,162	-	84,162	83,514
Marketable securities	5,000	-	5,000	57,888
Grants receivable	527,486	292,384	819,870	1,170,569
Accounts receivable	73,964	-	73,964	135,464
Pledges receivable, net, current portion	-	967,975	967,975	622,850
Prepaid expenses	27,025	-	27,025	25,625
Property held for sale	769,000	-	769,000	-
Total Current Assets	1,903,912	1,974,981	3,878,893	3,238,414
Property and equipment, net	3,589,348	435,306	4,024,654	3,047,450
Noncurrent Assets:				
Pledges receivable, net, long-term portion	-	2,020,346	2,020,346	1,697,685
Deposit	13,460	-	13,460	13,460
Total Noncurrent Assets	13,460	2,020,346	2,033,806	1,711,145
Total Assets	$ 5,506,720	$ 4,430,633	$ 9,937,353	$ 7,997,009
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts payable, trade	$ 66,611	$ -	$ 66,611	$ 101,617
Escrow liability	-	8,053	8,053	9,750
Current portion of long-term debt	8,770	-	8,770	8,421
Sales tax payable	1,252	-	1,252	1,116
Accrued wages and related liabilities	169,257	-	169,257	129,552
Total Current Liabilities	245,890	8,053	253,943	250,456
Long-term liabilities, net of current portion	1,467	-	1,467	10,225
Total Liabilities	247,357	8,053	255,410	260,681
Net Assets	5,259,363	4,422,580	9,681,943	7,736,328
Total Liabilities and Net Assets	$ 5,506,720	$ 4,430,633	$ 9,937,353	$ 7,997,009

FORKIDS, INC. AND SUBSIDIARIES
(A NONPROFIT ORGANIZATION)
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

YEAR ENDED JUNE 30, 2017 (WITH COMPARATIVE TOTALS FOR 2016)

	Unrestricted	Temporarily Restricted	2017 Total	Comparative 2016 Total
Support:				
Federal agencies	$ -	$ 2,258,200	$ 2,258,200	$ 2,063,142
Contributions	1,189,278	1,051,763	2,241,041	2,373,234
Capital Campaign	-	998,148	998,148	3,134,157
Government grants	-	918,349	918,349	755,349
Contributed property and equipment	1,019,164	-	1,019,164	261,681
United Way fund	-	227,513	227,513	251,199
Total	2,208,442	5,453,973	7,662,415	8,838,762
Net assets released from restrictions:				
Satisfaction of restrictions	5,368,273	(5,368,273)	-	-
Total Support	7,576,715	85,700	7,662,415	8,838,762
Revenue:				
Fundraising (net of expenses of $158,950 and $119,964 for June 30, 2017 and 2016, respectively)	868,928	-	868,928	735,890
Interest and dividends	925	-	925	45
Rent and program fees	129,836	-	129,836	153,493
Thrift store sales	217,647	-	217,647	231,152
Realized/unrealized gain on investments	3,929	-	3,929	6,672
Gain on sale of assets	5,312	-	5,312	15,891
Miscellaneous	6,968	-	6,968	105,142
Total Revenue	1,233,545	-	1,233,545	1,248,285
Total Support and Revenue	8,810,260	85,700	8,895,960	10,087,047
Functional Expenses:				
Program services	5,840,846	-	5,840,846	6,113,087
Management and general	396,389	-	396,389	269,581
Fundraising	713,110	-	713,110	704,062
Total Functional Expenses	6,950,345	-	6,950,345	7,086,730
Change in net assets	1,859,915	85,700	1,945,615	3,000,317
Net assets, beginning of year	3,399,448	4,336,880	7,736,328	4,736,011
Net assets, end of year	$ 5,259,363	$ 4,422,580	$ 9,681,943	$ 7,736,328

FORKIDS, INC. AND SUBSIDIARIES
(A NONPROFIT ORGANIZATION)
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2017 (WITH COMPARATIVE TOTALS FOR 2016)

	Program Services	Management and General	Fundraising	2017 Total	Comparative 2016 Total
Bad debt	$ -	$ -	$ 25,360	$ 25,360	$ 76
Childcare	15,876	-	-	15,876	132,847
Children's services	44,311	-	-	44,311	18,434
Counseling materials	-	-	-	-	21,025
Depreciation	145,919	-	-	145,919	179,657
Employee benefits	341,482	27,306	45,914	414,702	388,963
Equipment	11,392	-	-	11,392	-
Housing assistance	1,251,819	-	-	1,251,819	1,305,231
Insurance	102,026	-	-	102,026	115,842
Interest	2,075	-	-	2,075	324
Miscellaneous	-	-	12,781	12,781	103,852
Payroll taxes	202,872	22,929	33,607	259,408	259,523
Postage	4,028	-	2,403	6,431	6,315
Printing and publications	18,085	2,169	15,091	35,345	19,345
Professional fees	83,272	8,696	60,519	152,487	109,380
Program services	113,534	-	-	113,534	160,596
Rent	166,274	13,208	19,820	199,302	205,995
Repairs and maintenance	89,165	-	-	89,165	100,700
Salaries	2,582,664	311,539	463,371	3,357,574	3,274,893
Security	14,945	-	-	14,945	17,130
Supplies	17,652	-	1,141	18,793	44,245
Taxes and licenses	9,387	651	977	11,015	21,567
Technology	58,446	6,596	26,408	91,450	74,953
Telephone	97,018	-	-	97,018	79,675
Training	22,983	2,764	5,718	31,465	22,831
Travel/employee reimbursements	44,678	531	-	45,209	6,387
Utilities	135,680	-	-	135,680	142,839
Value of goods sold	249,516	-	-	249,516	259,414
Vehicle maintenance	15,747	-	-	15,747	14,691
Total Functional Expenses	$ 5,840,846	$ 396,389	$ 713,110	$ 6,950,345	$ 7,086,730

FORKIDS, INC. AND SUBSIDIARIES
(A NONPROFIT ORGANIZATION)
CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	$ 1,945,615	$ 3,000,317
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	145,919	179,657
Realized/unrealized gain on investments	(3,929)	(6,672)
Realized/unrealized gain on sale of assets	(5,312)	(15,891)
Contributed property and equipment	(769,000)	-
Provision for discount on pledges receivable	7,877	77,007
Contributed stock sold (received)	-	(51,584)
Change in operating assets and liabilities:		
Inventory	(648)	(2,267)
Grants receivable	350,699	(460,526)
Pledges receivable	(675,663)	(2,372,542)
Accounts receivable	61,500	(82,482)
Prepaid expenses	(1,400)	(26)
Accounts payable, trade	(35,006)	72,659
Escrow liability and deposits	(1,697)	(6,432)
Sales tax payable	136	197
Accrued wages and related liabilities	39,705	41,906
Net cash flows from operating activities	1,058,796	373,321
Cash flows from investing activities:		
Proceeds from sale of assets	5,771	411,230
Proceeds from sale of investments	52,161	35,828
Purchase of property and equipment	(1,123,582)	(106,928)
Net cash flows from investing activities	(1,065,650)	340,130
Cash flows from financing activities:		
Repayment of long-term liabilities	(8,409)	(2,354)
Net (decrease) increase in cash and cash equivalents	(15,263)	711,097
Cash and cash equivalents, beginning of year	1,095,594	384,497
Cash and cash equivalents, end of year	$ 1,080,331	$ 1,095,594
Supplemental cash flow information:		
Cash paid for interest	$ 2,075	$ 324

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Note 1—Nature of operations and summary of significant accounting policies

Nature of Operations - ForKids, inc. (the "Organization") is a nonprofit Virginia corporation. The mission of the Organization is to break the cycle of homelessness and poverty for families and children. As a nonprofit Virginia corporation, the Organization has developed a unique continuum of services to meet the wide spectrum of need found in homeless families. Incorporated in 1988 as an 8-family shelter, the Organization now supports a daily caseload of over 165 families through a multi-modal services infrastructure designed to provide the appropriate support for families based on their unique needs and circumstances. Through both site-based and in-home programs, the Organization provides emergency shelter, transitional housing, permanent supportive housing, and prevention and rapid re-housing programs in urban, suburban, and rural communities throughout South Hampton Roads and operates the "Regional Housing Crisis Hotline". Services include housing, case management, mental health therapy, life skills, employment and housing counseling, extensive children's education services, and HMIS administration.

<u>Regional Housing Crisis Hotline</u> - Provides a central point of contact for those experiencing a housing crisis. These hotline services are offered to those throughout South Hampton Roads as well as the Peninsula. For the year ended June 30, 2017, the hotline received 37,738 calls from 18,435 callers.

<u>Emergency Shelter and Services</u> - Provides up to 120 days of shelter, coupled with clinical case management and educational services designed to overcome barriers to housing and self-sufficiency. Emergency overnight placement is also available as space allows. For the year ended June 30, 2017, 188 families with 362 children received emergency shelter and services during the year, and 96% exited to permanent or supportive housing. For the year ended June 30, 2016, 150 families with 305 children received emergency shelter and services during the year, and 96% exited to permanent or supportive housing.

<u>Transitional Supportive Housing ("TSH")</u> - Provides housing, clinical case management, and educational services for up to 2 years for families with high housing barriers, and high-acuity needs. Families develop the financial resources to obtain housing, and learn the skills needed to maintain housing. For the year ended June 30, 2017, 17 families with 35 children lived in TSH for the year, with 91% of families exiting to appropriate housing in the community. For the year ended June 30, 2016, 29 families with 84 children lived in TSH for the year, with 87% of families exiting to appropriate housing in the community.

<u>Permanent Supportive Housing ("PSH")</u> - Families in PSH have a disabled member of the household, and cannot sustain independent housing without support. For the year ended June 30, 2017, 44 families with 99 children lived in the Organization PSH during the year, and 85% of families who exited went to other permanent housing. For the year ended June 30, 2016, 38 families with 93 children lived in the Organization PSH during the year, and 100% of families who exited went to other permanent housing.

<u>Rapid Re-housing and Stabilization Case Management</u> – ForKids provided stabilization case management for families who were rapidly re-housed following an episode of homelessness. For the year ended June 30, 2017, 213 households with 481 children received services. 91% of families exited to appropriate housing in the community. For the year ended June 30, 2016, 172 households with 379 children received services. 95% of families remained permanently housed at program exit.

<u>Support Services for Veteran Families</u> - As a sub-grantee of VBCDC, the Organization provides rapid re-housing and prevention services to veteran families in Norfolk, Chesapeake, and Western Tidewater. For the year ended June 30, 2017, 62 families with 93 children received these services. 92% of families remained permanently housed at program exit.

<u>Children's Education Services</u> - For the year ended June 30, 2017, 454 children received education services with 178 of these children also receiving individualized remediation through Beyond the Bell.

Note 1—Nature of operations and summary of significant accounting policies (continued)

The Organization is supported primarily through donor contributions, grants, and the United Way.

ForKids Suffolk, L.L.C. (the "Company") was established in 2008 as a wholly-owned subsidiary for the purpose of holding real property located in Suffolk, Virginia.

ForKids Thrift, L.L.C. d/b/a Good Mojo (the "Thrift Store") was established in 2010 as a wholly-owned subsidiary for the purpose of dealing with donations received and the sale of thrift items for the benefit of the Organization and the community.

ForKids Foundation, L.L.C. was established in 2006 as a wholly-owned subsidiary for the purpose of dealing with the proceeds from contributions and grants received for the benefit of the Organization.

ForKids Properties, L.L.C. was established in 2010 as a wholly-owned subsidiary for the purpose of holding real property.

ForKids Investments, L.L.C. was established in 2014 as a wholly-owned subsidiary for the purpose of holding investments.

Principles of Consolidation - The consolidated financial statements include the accounts of ForKids, inc. and its wholly-owned subsidiaries, ForKids Suffolk, L.L.C., ForKids Foundation, L.L.C., ForKids Properties, L.L.C., ForKids Investments, L.L.C., and ForKids Thrift, LLC. All inter-company accounts and transactions have been eliminated during consolidation.

Cash Equivalents - For purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash on hand and highly liquid investments with original maturities of three months or less.

Method of Accounting - The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and, as such, recognize income when earned and expenses when incurred.

Accounts Receivable - Accounts receivable consist of trade accounts receivable and are stated at amounts billed less an allowance for doubtful accounts. Management's determination of the allowance for doubtful accounts is based on an evaluation of the accounts receivable, past experience, current economic conditions, and other risks inherent in the receivable portfolios. An allowance was not deemed necessary at June 30, 2017 and 2016.

Grants Receivable - Grants receivable consist of federal, state, and private grants. The Organization determines the need for an allowance for doubtful accounts based on historical data and management's opinion of the collectability of receivables. An allowance was not deemed necessary at June 30, 2017 and 2016.

Pledges Receivable - Pledges receivable are stated at amounts pledged less a discount and an allowance for uncollectible accounts. The discount is calculated based on a present value formula using the applicable federal rate index, which approximates fair value. A discount of $84,884 and $77,007 was recorded for the years ended June 30, 2017 and 2016, respectively. The discount rate was 1.92% for June 30, 2017 and 2016. Management's determination of the allowance for doubtful accounts is based on an evaluation of the receivable, past collection experience and current economic conditions, and other risks inherent in the receivables portfolio. An allowance for doubtful accounts was not deemed necessary for the year ended June 30, 2017.

Investments - The Organization reports investments in equity and bond/fixed income funds at their fair value in the consolidated statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying consolidated statement of activities and change in net assets.

Note 1—Nature of operations and summary of significant accounting policies (continued)

Property and Equipment - Property and equipment are recorded at cost, or if contributed, at the estimated fair value at the date of contribution. Contributions are reported as unrestricted support unless the donor restricted the donated asset to a specific purpose. Long-lived assets held and used by the Organization are reviewed for impairment whenever changes in circumstances indicate the carrying value of an asset may not be recoverable. Depreciation is calculated using straight-line and accelerated methods based on the following useful lives:

	Life
Building and improvements	15 - 40 Years
Furniture and equipment	5 - 7 Years
Transportation equipment	5 Years

Properties Held for Sale - Properties held for sale are reported at the lower of carrying value or fair value less selling cost. Impairment losses are recognized for any initial and subsequent adjustments to carrying value. The assets are not subject to depreciation while held for sale.

Use of Estimates - The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Certain Significant Estimates - The Organization calculated fair value of the property held for sale based on the selling price of the property and other similar properties.

Income Taxes - The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Management believes that the Organization continues to satisfy the requirements of a tax-exempt organization at June 30, 2017. Management has evaluated all other tax positions that could have a significant effect on the consolidated financial statements and determined the Organization had no uncertain income tax positions at June 30, 2017 and 2016.

ForKids Suffolk, L.L.C., ForKids Foundation, L.L.C, ForKids Foundation, L.L.C., ForKids Properties, L.L.C., and ForKids Thrift L.L.C. are Virginia limited liability companies. The members' share of income or loss is reported directly on the members' income tax return. Therefore, no provision for income taxes has been reflected in these consolidated financial statements.

Inventory - Inventory consists of contributed goods and is stated at standard thrift store prices.

Financial Statement Presentation - The Organization presents its consolidated financial statements in accordance with accounting standards for consolidated financial statements of nonprofit organizations. Under accounting standards, the Organization is required to report information regarding its financial position and activities according to three classes of assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a consolidated statement of cash flows.

Advertising Costs - The Organization expenses advertising costs as incurred; however, they incurred no advertising costs for the years ended June 30, 2017 and 2016.

Note 1—Nature of operations and summary of significant accounting policies (continued)

Contributions - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. All contributions received are considered to be available for unrestricted use unless specifically restricted by the donor.

Recognition of Donor Restrictions - All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities and change in net assets as net assets released from restrictions.

Functional Allocation of Expenses - The costs of providing the various programs and activities have been summarized on a functional basis in the consolidated statement of activities and change in net assets and the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the programs, supporting services benefited, and fundraising.

Grant Income - Grant income is recognized in the year the grant is awarded. Cost reimbursement type grants are recognized as unrestricted revenue because time and purpose restrictions have been met. Many grants require the Organization to provide matching funds. Grants whose time and purpose restrictions have not been met are recognized as temporarily restricted.

Prior Year Summarized Information - The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class or natural expense classification by function. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Note 2—Restricted cash

Restricted cash consists of the following:

Donor	Restriction	June 30, 2017 Amount
Client escrow	Escrow account	$ 237
Security deposits	Security deposit	7,816
Programs/services	Program/services	706,569
Total		$ 714,622

Donor	Restriction	June 30, 2016 Amount
Client escrow	Escrow account	$ 260
Security deposits	Security deposit	9,490
Programs/services	Program/services	711,539
Total		$ 721,289

Note 3—Investments

Investments are as follows:

		Fair Value Measurements at June 30, 2017		
	Fair Value	Level 1	Level 2	Level 3
Marketable equity securities	$ 9,693	$ 9,693	$ -	$ -
Mutual funds	46,873	46,873	-	-
Total assets	$ 56,566	$ 56,566	$ -	$ -

		Fair Value Measurements at June 30, 2016		
	Fair Value	Level 1	Level 2	Level 3
Marketable equity securities	$ 63,624	$ 63,624	$ -	$ -
Mutual funds	41,174	41,174	-	-
Total assets	$ 104,798	$ 104,798	$ -	$ -

Presented on the consolidated statement of financial position as follows:

	June 30,	
	2017	2016
Current assets:		
United Way endowment fund	$ 51,566	$ 46,910
Marketable securities	5,000	57,888
Total	$ 56,566	$ 104,798

The United Way endowment fund is an affiliate account the Organization holds with the United Way of South Hampton Roads Foundation and contains equity and bond/fixed income fund investments. It is a pooled endowment fund with other institutions and foundations to achieve optimal investment returns and cost savings. Net realized/unrealized gains on investments of $3,929 and $6,672 are included in the consolidated statements of activities and change in net assets for the years ended June 30, 2017 and 2016, respectively.

Note 4—Donated services and property

These consolidated statements reflect donated professional services that can be reasonably valued. The Organization recorded no donated professional services for the years ended June 30, 2017 and 2016. Community volunteers donate a significant amount of non-professional time to program services which cannot be objectively valued and are not reflected.

The consolidated statements also reflect donated property of $250,164 and $261,681 which consisted of thrift store items, property, and various other goods for the years ended June 30, 2017 and 2016, respectively. The Organization also received donated real property with a fair value of $769,000 during the year ended June 30, 2017. No similar donation of real property occurred during the year ended June 30, 2016. See discussion about donated property held for sale in Note 8. Additionally, it is the Organization's policy to immediately sell all stock donations upon receipt.

Note 5—Pledges receivable

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Pledges receivable consist of the following:

	2017	2016
Receivable in less than one year	$ 967,975	$ 622,850
Receivable in one to eight years	2,105,230	1,774,692
Total pledges receivable	3,073,205	2,397,542
Less unamortized discount	84,884	77,007
Net pledges receivable	$ 2,988,321	$ 2,320,535

As shown on the consolidated statements of financial position:

	2017	2016
Current portion of pledges receivable	$ 967,975	$ 622,850
Long-term portion of pledges receivable	2,020,346	1,697,685
	$ 2,988,321	$ 2,320,535

Note 6—Paid time off accrual

Beginning October 1, 2008, the Organization no longer pays paid time off (“PTO”) balances upon separation from employment. All employees signed the transition policy allowing employees with eligible balances to elect to bank a portion of PTO for pay out upon separation from employment or elect to have the entire PTO balance converted with no payout upon separation from employment. The accrued liability as of June 30, 2017 and 2016 includes the value of only those employees who elected to bank a portion of their eligible PTO for payout upon separation.

Note 7—Property and equipment

Property and equipment consists of the following at June 30:

	2017	2016
Land	$ 482,191	$ 482,191
Buildings and improvements	3,654,256	3,653,458
Furniture and equipment	567,594	530,273
Transportation equipment	244,852	244,852
Construction in progress	1,079,013	-
	6,027,906	4,910,774
Less allowance for depreciation	(2,003,252)	(1,863,324)
	$ 4,024,654	$ 3,047,450

Depreciation expense was $145,919 and $179,657 for the years ended June 30, 2017 and 2016, respectively.

Note 8—Properties held for sale

In March 2017, the Organization received a donation of real property located in Norfolk, Virginia. The Organization classified the property as property held for sale and recorded at fair value based on the selling price of the property.

Property held for sale at June 30, 2017 and 2016 consisted of the following:

	2017	2016
Real property held for sale	$ 769,000	$ -

Note 9—Lease commitment

The Organization leases the premises it occupies for office space with lease payments of an escalating base rent (plus certain allocable direct costs) required under present commitment agreements for the building space. The original rental agreement expired December 2012. A new agreement was established for existing and additional space expiring February 28, 2019.

In addition, the Organization leases the premises it occupies for the Thrift Store with annual payments of $62,798 and $61,566, for 2017 and 2016, respectively. The rental agreement expired June 2017. The agreement was amended to renew the lease through June 2018.

During 2012, the Organization began a new program leasing multiple premises for use in program services. Payments are reimbursed by the U.S. Department of Housing and Urban Development (“HUD”) under the Supportive Housing Program. Lease terms are one year or month to month thereafter.

Due to the program mentioned in the preceding paragraph, a portion of the rental expense is classified as housing assistance on the consolidated statement of functional expense. Rental expense under the various leases for the years ended June 30, 2017 and 2016 was $296,434 and $327,554, respectively.

Future minimum lease payments under these lease agreements are:

2018	$ 288,463
2019	$ 92,678

The Organization leases office equipment under various lease agreements expiring in fiscal year 2020. Equipment lease commitments are as follows:

2018	$ 25,962
2019	$ 16,524
2020	$ 15,147

Note 10—Lessor arrangements

The Organization has leasing operations that consist principally of leasing buildings. The Organization's leases are classified as operating leases. Total rental income from unrelated parties for the years ended June 30, 2017 and 2016 was $88,442 and $126,541, respectively.

The following schedule provides an analysis of the Organization's investment in property on operating leases and property held for lease by major classes as of June 30, 2017:

Building	$	385,185
Less accumulated depreciation		(208,666)
	$	176,519

Minimum future rentals are:

2018	$	16,669
2019	$	15,006
2020	$	15,457
2021	$	2,589

Note 11—Pension plan

The Organization maintains a Simple IRA retirement plan that allows employees making more than $5,000 to participate. The Organization will provide a dollar-for-dollar match up to 3% of each participant's annual salary. During the years ended June 30, 2017 and 2016, the Organization incurred pension expense of $84,639 and $97,320, respectively, which is included in employee benefits in the consolidated statement of functional expenses.

Note 12—Support

The amount shown on the accompanying consolidated statements as being received from the United Way of South Hampton Roads is net of the Organization's proportionate share of federal fundraising costs of $20,936 and $24,125 for the years ended June 30, 2017 and 2016, respectively.

Note 13—Line of credit

The Organization opened a line of credit on October 2, 2015 with a limit of $500,000 which is due on demand. The amount available is secured by a deed of trust. Interest is payable on the line at an annual rate equal to 1% over the Wall Street Journal prime rate with a floor of 3.5%. At June 30, 2017 and 2016, there was no outstanding balance.

Note 14—Long-term liabilities

Long-term liabilities at June 30 are summarized as follows:

	2017	2016
Notes payable		
TowneBank vehicle loan, monthly interest of 4%, due in full by August 10, 2018, secured by the vehicle.	$ 10,237	$ 18,646
Less current portion	(8,770)	(8,421)
Long-term portion	$ 1,467	$ 10,225

Maturities of the long-term liabilities are as follows:

2018	$ 8,770
2019	1,467
	$ 10,237

Interest of $592 and $324 was paid during the years ended June 30, 2017 and 2016, respectively.

Note 15—Temporarily restricted net assets

Temporarily restricted net assets are available for the following purposes at June 30:

	2017	2016
Children Services	$ 331,166	$ 160,000
Capital Campaign	3,573,205	3,625,173
Fixed assets	435,306	435,306
Program and Services	82,903	116,401
	$ 4,422,580	$ 4,336,880

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the other events specified by donors as follows:

	2017	2016
Children Services	$ 363,277	$ 258,089
Program and Services	5,004,996	4,019,569
	$ 5,368,273	$ 4,277,658

Note 16—Concentration of revenue

The Organization receives a significant amount of its support from HUD. If a significant reduction in the level of support was to occur, it would affect the Organization's future programs and activities.

Note 17—Concentration of credit risk

The Organization places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation covers $250,000 for substantially all depository accounts. The Organization from time to time may have amounts on deposit in excess of the insured limits. As of June 30, 2017, the Organization had $841,145 which exceeded these insured amounts.

Accounts receivable also potentially subjects the Organization to concentration of credit risk. This risk is limited due to the number of sources comprising the Organization's revenue base.

Note 18—Fair value measurements

The Organization determines the fair value of its financial instruments based on the fair value hierarchy established in accounting standards which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Accounting standards define fair value as the exchange price that would be received for an asset or liability in the most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Accounting standards describe three levels of inputs that may be used to measure fair value:

Level 1 - Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date;

Level 2 - Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies; and

Level 3 - Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

Marketable Equity Securities - Investments in marketable equity securities are valued based on quoted market prices (Level 1).

Mutual Funds - These investments are public investment vehicles valued using the net asset value ("NAV") provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is a quoted price in an active market and classified within Level 1 of the valuation hierarchy.

Property Held for Sale - Property held for sale is valued at the selling price of the property and other similar properties.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note 19—Funds held by others

The Organization is the designated recipient of income from two funds maintained at the Hampton Roads Community Foundation ("HRCF"). The ForKids, inc. endowment is an organizational fund held by HRCF of which the Organization may request annual distributions of 5% of asset value based on a trailing 12-quarter average asset value. The value of this fund as of June 30, 2017 and 2016 is $46,699 and $42,548, respectively. The Mary Ludlow Home fund is a donor advised fund from which the Organization receives annual distributions. These distributions are approximately 4.5% based on a trailing twelve-quarter average asset value. The value of this fund as of June 30, 2017 and 2016 is $1,062,439 and $1,017,712, respectively.

Note 20—Related party transactions

The Organization has pledged receivables of $1,282,463 and $1,451,000 from members of the Organization's Board of Trustees at June 30, 2017 and 2016, respectively.

Note 21—Subsequent events

Management of the Organization has evaluated subsequent events November 11, 2017, in connection with the preparation of these consolidated financial statements, which is the date the consolidated financial statements were available to be issued.

As discussed in Note 8, Properties held for sale, the Organization received real property with a net book value of $769,000 on March 15, 2017 as contributed property. On August 15, 2017, the Organization sold the real property for its fair value of $769,000 and recognized no gain or loss on the transaction.

The Organization entered into a signed purchase agreement on October 17, 2017 to purchase land from the City of Chesapeake to be used for a new corporate headquarters and service hub in the future.

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor 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*

The Board of Directors
ForKids, inc.
Norfolk, 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 consolidated financial statements of ForKids, inc. and Subsidiaries (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities and change in net assets, functional expenses, and cash flows for the year ended June 30, 2017, and have issued our report thereon dated November 11, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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.

Cherry Bekaert, LLP

Virginia Beach, Virginia
November 11, 2017

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

The Board of Directors
ForKids, inc.
Norfolk, Virginia

Report on Compliance for Each Major Federal Program

We have audited ForKids, inc. and Subsidiaries' (the "Organization") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2017. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

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

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

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

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

Cherry Bekaert LLP

Virginia Beach, Virginia
November 11, 2017

FORKIDS, INC. AND SUBSIDIARIES
(A NONPROFIT ORGANIZATION)
CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Number	Expenditures
U.S. Department of Housing and Urban Development			
Pass-through from City of Norfolk			
Emergency Solutions Grant Program	14.231	22-000026293	$ 98,388
CDBG-Norfolk	14.218	22-000026289	20,000
Supportive Housing Program			
SVHC - Hotline	14.235	VA0281L3F011500	147,673
Legacy (PSH)	14.235	VA0023L3F011508	528,985
GVPHC - Hotline	14.235	VA0283L3F051500	65,682
Leap (Rapid Rehousing)	14.235	VA0246L3F011501	419,874
Elizabeth Place	14.235	VA0281L3F011500	108,661
Rapid Rehousing	14.235	VA0239L3F011502	173,213
Chesapeake Transitional	14.235	VA0077L3F011507	93,278
Pass-through from City of Suffolk			
CDBG- Suffolk	14.218		10,000
Pass-through from City of Chesapeake			
CDBG - Via City of Chesapeake	14.218		102,550
U.S. Department of Health and Human Services			
Pass-through from Virginia Department of Housing and Community Development			
Emergency Shelter Grants Program - SVHC	14.231		141,434
Pass-through from City of Hampton			
Emergency Shelter Grants Program - SVHC	14.218		18,403
Federal Emergency Management Agency			
Emergency Food and Shelter Program - Phase 32	97.024		33,700
U.S. Department of Veterans Affairs			
Supportive Services for Veterans Families	64.003		296,359
Total			$ 2,258,200

Note A—Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of ForKids, inc. and Subsidiaries (the "Organization") under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirments 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 operatons of the Organization, it is not intended to and does not present the financial position, activities and change in net assets, or cash flows of the Organization.

Note B—Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principle contained in the Uniform Guidance and/or OMB Circular A-122, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

FORKIDS, INC. AND SUBSIDIARIES
(A NONPROFIT ORGANIZATION)
CONSOLIDATED SCHEDULE OF SUPPORT

YEAR ENDED JUNE 30, 2017

Federal Agencies:		
Supportive Housing Program (SVHC/PSH Norfolk/GVPHC)	$ 742,340	
Supportive Housing Program (ESI/Leap/TIP/Morgan Place)	419,874	
Supportive Housing Program (Elizabeth Place)	108,661	
Supportive Housing Program (Rapid Rehousing)	173,213	
Supportive Housing Program (Chesapeake Transitional)	93,278	
Supportive Services for Veterans families	296,359	
Community Development Block Grant (Norfolk)	20,000	
Community Development Block Grant (Chesapeake)	102,550	
Community Development Block Grant (Suffolk)	10,000	
Emergency Solutions Grant	258,225	
Emergency Food and Shelter Program	33,700	
Total Federal Agencies		$ 2,258,200
Contributions:		
Individuals, churches, businesses, and foundation grants		3,239,189
Other Government Grants:		
City of Suffolk	23,000	
City of Chesapeake	110,246	
City of Virginia Beach	193,821	
Local/County/City	15,000	
Housing Trust Fund	71,095	
Human Services Grant (Chesapeake)	50,000	
Human Services Grant (Norfolk)	56,147	
Human Services Grant (State)	399,040	
Total Other Government Grants		918,349
United Way		227,513
Contributed Property		1,019,164
Total Support		$ 7,662,415

FORKIDS, INC. AND SUBSIDIARIES
(A NONPROFIT ORGANIZATION)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2017

Section I - Summary of auditor's results

Consolidated Financial Statements

Type of auditor's report issued [*unmodified, qualified, adverse, or disclaimer*]: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? __ yes _X_ no
- Reportable condition(s) identified that are not considered to be material weaknesses? __ 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
- Reportable condition(s) identified that are not considered to be material weaknesses? __ yes _X_ none reported

Type of auditor's report issued on compliance for major programs [*unmodified, qualified, adverse, or disclaimer*]: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Office of Management and Budget Circular Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations? __ yes _X_ no

Identification of major program:

CFDA Number	**Name of Federal Program or Cluster**
14.235	Supportive Housing Program

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 noted

Section III - Federal award findings and questioned costs

None noted

FORKIDS, INC. AND SUBSIDIARIES
(A NONPROFIT ORGANIZATION)
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2017

Findings - Financial statement audit

None noted

Findings and questioned costs - Major federal award programs audit

None noted