



VIRGINIA READY INITIATIVE

Financial Statements

June 30, 2022

(With Independent Auditors' Report Thereon)

VIRGINIA READY INITIATIVE

June 30, 2022

Table of Contents

	Page
Independent Auditors' Report	1
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7



KPMG LLP
Suite 900
8350 Broad Street
McLean, VA 22102

Independent Auditors' Report

The Board of Directors
Virginia Ready Initiative:

Opinion

We have audited the financial statements of Virginia Ready Initiative (the Organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, and the results of its operations and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are 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 GAAS 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 GAAS, 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 the Organization'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 the Organization'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.

KPMG LLP

McLean, Virginia
November 7, 2022

VIRGINIA READY INITIATIVE

Statement of Financial Position

As of June 30, 2022

Assets:

Cash and cash equivalents	\$	1,779,964
Contributions receivable, net		1,050,000
Prepaid expenses		18,166
Investments		4,965,511
Property and equipment, net		<u>12,392</u>
Total assets	\$	<u><u>7,826,033</u></u>

Liabilities and net assets

Liabilities:

Accounts payable	\$	109,401
Accrued credential awards		78,000
Other liabilities		<u>60,639</u>
Total liabilities		248,040

Net assets:

Without donor restrictions		6,527,993
With donor restrictions		<u>1,050,000</u>
		<u>7,577,993</u>
Total liabilities and net assets	\$	<u><u>7,826,033</u></u>

See accompanying notes to financial statements.

VIRGINIA READY INITIATIVE

Statement of Activities

For the year ended June 30, 2022

	Without donor restrictions	With donor restrictions	2022 Total
Revenue:			
Individual contributions	\$ 5,901	—	5,901
Corporate and foundation contributions	—	1,365,000	1,365,000
Donated services	—	40,000	40,000
Net assets released from restrictions	3,271,304	(3,271,304)	—
Total revenue	3,277,205	(1,866,304)	1,410,901
Expenses and losses:			
Program services	2,879,815	—	2,879,815
Supporting services:			
Management and general	328,928	—	328,928
Fundraising and development	62,098	—	62,098
Total supporting services	391,026	—	391,026
Total expenses	3,270,841	—	3,270,841
Change in net assets from operations	6,364	(1,866,304)	(1,859,940)
Other income (expense):			
Investment gains/(losses)	(27,391)	—	(27,391)
Total investment gains/(losses)	(27,391)	—	(27,391)
Change in net assets	(21,027)	(1,866,304)	(1,887,331)
Net assets, beginning of year	6,549,020	2,916,304	9,465,324
Net assets, end of year	\$ 6,527,993	1,050,000	7,577,993

See accompanying notes to financial statements.

VIRGINIA READY INITIATIVE
Statement of Functional Expenses
For the year ended June 30, 2022

	Program services	Management and general	Fundraising and development	2022 Total
Credential awards	\$ 1,868,000	—	—	1,868,000
Salaries and benefits	667,271	180,130	46,002	893,403
Marketing	132,637	6,355	—	138,992
Bad debt	125,000	—	—	125,000
Professional services	23,699	20,016	13,263	56,978
Information technology	34,843	13,808	1,623	50,274
Contributed professional services	—	40,000	—	40,000
Accounting fees	—	38,369	—	38,369
Miscellaneous	8,969	17,063	317	26,349
Travel and meetings	12,530	7,815	339	20,684
Subscriptions and dues	6,866	5,372	554	12,792
Total expenses	<u>\$ 2,879,815</u>	<u>328,928</u>	<u>62,098</u>	<u>3,270,841</u>

See accompanying notes to financial statements.

VIRGINIA READY INITIATIVE

Statement of Cash Flows

For the year ended June 30, 2022

Cash flows from operating activities:	
Change in net assets	\$ (1,887,331)
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation and amortization	3,036
Loss on marketable securities	27,391
Changes in operating assets and liabilities:	
Contributions receivable, net	1,866,304
Prepaid expenses	(3,132)
Accounts payable	47,213
Accrued credential awards	5,000
Accrued expenses and other liabilities	23,597
Net cash provided by operating activities	<u>82,078</u>
Cash flows from investing activities:	
Purchases of marketable securities	(8,117,966)
Sales of marketable securities	3,125,065
Purchases of property and equipment	<u>(12,350)</u>
Net cash used in investing activities	<u>(5,005,251)</u>
Net change in cash and cash equivalents	(4,923,173)
Cash and cash equivalents, beginning of year	<u>6,703,137</u>
Cash and cash equivalents, end of year	<u>\$ 1,779,964</u>

See accompanying notes to financial statements.

VIRGINIA READY INITIATIVE
Notes to Financial Statements
For the year ended June 30, 2022

(1) Organization

Virginia Ready Initiative (VA Ready) is a nonprofit organization established in May 2020 in the Commonwealth of Virginia to help Virginians reskill for in-demand jobs. VA Ready's mission is to support workforce re-training, upskilling, and talent pathway development for in-demand industries in Virginia by providing Credential Achievement Awards, creating new programs, and supporting innovative partnerships between businesses and other employers, community college or higher education institutions, and Virginians who will become the next generation workforce. VA Ready has partnered with businesses and educational institutions and programs to equip Virginians with the skills needed for sustainable jobs in high-growth sectors.

VA Ready provides approved VA Ready Scholars a \$1,000 Credential Achievement Award upon obtaining their credential in 36 selected training programs in the Technology, Healthcare and Manufacturing/Skilled Trades sectors. Employer Partners collectively express substantial unmet demand for these occupations. Combining VA Ready's \$1,000 Credential Achievement Award with the two-thirds tuition support offered through Virginia's Community Colleges' FastForward program (a short-term, low-cost workforce credential grant program to train Virginians for top, in-demand jobs across the Commonwealth), VA Ready Scholars can be re-trained without further financial burden.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with the generally accepted accounting standards in the United States ("U.S. GAAP").

(b) Cash and Cash Equivalents

VA Ready considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash equivalents that are included within investments, as money market and other short-term investments, are held for long-term investment purposes are not considered cash equivalents for purposes of the cash flow statements. None of VA Ready's cash and cash equivalents are subject to any donor or other restrictions.

(c) Contributions Receivable

VA Ready records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating a risk-free rate. In subsequent years, amortization of the discounts is included in contributions revenue in the statement of activities. VA Ready determines the allowance for uncollectable promises to give based on an assessment of economic conditions and a review of subsequent collections. Promises to give are written off when deemed uncollectable. During the year ended June 30, 2022, an unconditional promise of \$125,000 was determined to be uncollectable. Under the direct write-off method, it was recorded as a bad debt expense. As of June 30, 2022, an allowance was not recorded because all remaining unconditional promises were determined to be collectable.

VIRGINIA READY INITIATIVE
Notes to Financial Statements
For the year ended June 30, 2022

Unconditional promises to give are estimated to be collected as follows as of June 30, 2022:

Within one year	\$	362,500
In one to five years		687,500
Over five years		<u>—</u>
Total contributions receivable	\$	<u><u>1,050,000</u></u>

(d) Property and Equipment

VA Ready records property and equipment additions over \$1,000 at cost, or if donated, at fair value on the date of donation. Depreciation of equipment is computed using the straight-line method over the estimated useful life of 3 years. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed when incurred.

Property and equipment consist of the following as of June 30, 2022:

Equipment	\$	<u>16,203</u>
		16,203
Less accumulated depreciation and amortization		<u>(3,811)</u>
Property and equipment, net	\$	<u><u>12,392</u></u>

(e) Investments

VA Ready records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment expenses.

Cash equivalents that are included within investments as money market and other short-term investments are held for long-term investment purposes. The cash equivalents in the investment portfolio are part of VA Ready's long-term investment strategy and therefore are reported as investments.

(f) Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor- (or certain grantor-) imposed restrictions.

VIRGINIA READY INITIATIVE
Notes to Financial Statements
For the year ended June 30, 2022

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

VA Ready reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

As of June 30, 2022 VA Ready reported net assets restricted by donors of \$1,050,000. These restricted contributions represent unconditional promises to give with payments due in future periods. By specifying future payment dates, donors indicate that their gift is to support activities in each period in which a payment is scheduled.

(g) Revenue and Revenue Recognition

VA Ready recognizes contributions when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

As of June 30, 2022, there are no contributions that have not been recognized in the accompanying statement of activities because the condition on which they depend has not yet been met.

(h) Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to our program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. VA Ready records donated professional services at the respective fair values of the services received. Donated accounting services are reflected as contributions and expenses in the accompanying financial statements at their estimated fair value, which is based on current rates for similar services. During the year ended June 30, 2022, donated accounting services were valued at \$40,000 and used as part of VA Ready's Management and General activities.

(i) Functional Allocation of Expenses

The costs of program and supporting activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Accordingly, certain costs have been allocated among programs and supporting services benefitted. The expenses that are allocated include salaries and wages, benefits, payroll taxes and certain other expenses, all of which are allocated on the basis of estimates of time and effort.

VIRGINIA READY INITIATIVE
Notes to Financial Statements
For the year ended June 30, 2022

(j) Income Taxes

VA Ready is organized as a Virginia nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and the applicable Commonwealth of Virginia statutes. VA Ready is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entity is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. VA Ready has determined that the entity is not subject to unrelated business income tax for the year ended June 30, 2022.

VA Ready recognizes the effect of income tax positions only if those positions more likely than not would not be sustained upon examination by the Internal Revenue Service. VA Ready has analyzed the tax positions taken and has concluded that as of June 30, 2022, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements.

(k) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

(l) Financial Instruments and Credit Risk

VA Ready manages deposit concentration risk by placing cash and money market accounts with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, VA Ready has not experienced losses in any of these accounts. Credit risk associated with contributions receivable is considered to be limited because substantial portions of the outstanding amounts are due from Board members, corporations, and foundations supportive of our mission.

(m) Recent Accounting Guidance

In August 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-15, Intangibles – Goodwill and Other – Internal-Use Software, to align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). VA Ready adopted ASU 2018-15 prospectively in for the year ended June 30, 2022. The adoption of ASU 2018-15 had no material impact on the financial statements.

VIRGINIA READY INITIATIVE
Notes to Financial Statements
For the year ended June 30, 2022

(3) Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, comprise the following as of June 30, 2022:

Cash and cash equivalents	\$	1,779,964
Investments		4,965,511
Contributions receivable, net		<u>1,050,000</u>
Total financial assets		7,795,475
Less net assets with donor restrictions		<u>(1,050,000)</u>
Financial assets available for use	\$	<u><u>6,745,475</u></u>

As part of its liquidity management plan, VA Ready invests cash in excess of daily requirements in money market funds. VA Ready maintains its financial assets so that they are available to meet general expenditures, liabilities, and other obligations as they become due.

(4) Fair Value Measurements and Disclosures

VA Ready reports certain assets at fair value in the consolidated financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the

VIRGINIA READY INITIATIVE
Notes to Financial Statements
For the year ended June 30, 2022

entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset or liability.

The following table represents investments that are measured at fair value on a recurring basis at June 30, 2022:

	<u>June 30, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Fixed income securities:				
Investment grade taxable bonds	\$ 2,810,994	1,946,147	864,847	—
International developed bonds	981,882	981,882	—	—
Cash equivalents and money market funds	703,709	273,926	429,783	—
Foreign currency	468,926	—	468,926	—
Investments stated at fair value \$	<u>4,965,511</u>	<u>3,201,955</u>	<u>1,763,556</u>	<u>—</u>

VA Ready's fixed income securities have readily determinable fair values based on daily redemption values. Cash equivalents, money market funds, and foreign currency are reported at cost.

(5) Credential Achievement Awards

VA Ready awards \$1,000 Credential Achievement Awards to Virginia students who meet certain criteria. To enroll in the VA Ready Scholar program, students must be looking to increase their skill set by earning a credential for an in-demand job in a high growth sector, have lived in Virginia for at least one year, be enrolled in one of the VA Ready approved programs with an Education Partner, and have submitted an application for VA Ready no later than five days after their course's start date. Credential Achievement Awards are expensed when awarded to enrolled students upon completion of their credential and verification of the credential with VA Ready.

For the year ended June 30, 2022, VA Ready awarded 1,868 Credential Achievement Awards totaling \$1,868,000, which is reflected in the accompanying Statement of Activities. On June 30, 2022, 438 students were enrolled in the program but had not yet earned or verified their credential.

(6) Employee Benefits

VA Ready sponsors a tax-deferred annuity plan (the Plan) qualified under IRC Section 401(k) covering substantially all full-time employees. VA Ready matches 100% of all employee 401(k) contributions up to 3% of their compensation, plus a 50% match of the next 2% of their compensation, up to the maximum contribution allowed by the IRS. Additional employer contributions are discretionary and are determined and authorized by the Board of Directors each plan year. For the year ended June 30, 2022, VA Ready made matching contributions to the plan of \$25,869.

VIRGINIA READY INITIATIVE
Notes to Financial Statements
For the year ended June 30, 2022

(7) Subsequent Events

VA Ready has evaluated subsequent events through November 7, 2022, the date the financial statements were available to be issued and concluded that no additional subsequent events have occurred that would require recognition or disclosure.