VIRGINIA READY

Financial Statements

June 30, 2023 and 2022

Keiter
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VIRGINIA READY INITIATIVE

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Virginia Ready Initiative

Opinion

We have audited the accompanying financial statements of Virginia Ready Initiative (the "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 years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Virginia Ready Initiative 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.

Prior Period Financial Statements

The financial statements of Virginia Ready Initiative as of June 30, 2022 were audited by other auditors whose report dated November 7, 2022 expressed an unmodified opinion on those statements.

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, 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 within one year after the date that the financial statements are available to be issued.

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Auditor's 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 auditor's 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 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, including omissions, 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, 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.

Keiter

November 30, 2023
Glen Allen, Virginia

VIRGINIA READY INITIATIVE

Statements of Financial Position
June 30, 2023 and 2022

Assets	2023	2022
Current assets:		
Cash and cash equivalents	$ 943,449	$ 1,779,964
Contributions receivable, net	850,000	1,050,000
Investments	3,093,363	4,965,511
Accrued revenue	3,060	-
Prepaid expenses	24,358	18,166
Total current assets	4,914,230	7,813,641
Property and equipment, net	42,618	12,392
Total assets	$ 4,956,848	$ 7,826,033
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 39,625	$ 22,401
Accrued credential awards	173,000	165,000
Other liabilities	71,262	60,639
Total current liabilities	283,887	248,040
Net assets:		
Without donor restrictions	3,822,961	6,527,993
With donor restrictions	850,000	1,050,000
Total net assets	4,672,961	7,577,993
Total liabilities and net assets	$ 4,956,848	$ 7,826,033

See accompanying notes to financial statements.

VIRGINIA READY INITIATIVE

Statements of Activities
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:			
Individual contributions	$ 12	$ -	$ 12
Corporate and foundation contributions	-	1,135,000	1,135,000
Partnership services	3,060	-	3,060
Total revenue	3,072	1,135,000	1,138,072
Net assets released from restriction	1,335,000	(1,335,000)	-
Expenses:			
Program services	3,737,561	-	3,737,561
Management and general	373,109	-	373,109
Fundraising	60,286	-	60,286
Total expenses	4,170,956	-	4,170,956
Change in net assets from operations	(2,832,884)	(200,000)	(3,032,884)
Other income:			
Investment gain, net	127,852	-	127,852
Change in net assets	(2,705,032)	(200,000)	(2,905,032)
Net assets:			
Beginning of year	6,527,993	1,050,000	7,577,993
End of year	$ 3,822,961	$ 850,000	$ 4,672,961

See accompanying notes to financial statements.

VIRGINIA READY INITIATIVE

Statements of Activities, Continued
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:			
Individual contributions	$ 5,901	$ -	$ 5,901
Corporate and foundation contributions	-	1,365,000	1,365,000
Donated services	-	40,000	40,000
Total revenue	5,901	1,405,000	1,410,901
Net assets released from restrictions	3,271,304	(3,271,304)	-
Expenses:			
Program services	2,879,815	-	2,879,815
Management and general	328,928	-	328,928
Fundraising	62,098	-	62,098
Total expenses	3,270,841	-	3,270,841
Change in net assets from operations	6,364	(1,866,304)	(1,859,940)
Other expenses:			
Investment gain, net	(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
End of year	$ 6,527,993	$ 1,050,000	$ 7,577,993

See accompanying notes to financial statements.

VIRGINIA READY INITIATIVE

Statements of Functional Expenses
Year Ended June 30, 2023

	Program Services	Management and General	Fundraising	Total
Credential awards	$ 2,956,000	$ -	$ -	$ 2,956,000
Salaries and benefits	661,190	177,399	46,814	885,403
Information technology	58,325	55,850	3,300	117,475
Accounting fees	-	80,581	-	80,581
Travel and meetings	3,065	28,844	528	32,437
Subscriptions and dues	13,029	10,649	2,800	26,478
Marketing	23,919	1,954	19	25,892
Miscellaneous	10,807	9,368	-	20,175
Professional services	6,432	7,178	6,486	20,096
Depreciation	4,794	1,286	339	6,419
	$ 3,737,561	$ 373,109	$ 60,286	$ 4,170,956

See accompanying notes to financial statements.

VIRGINIA READY INITIATIVE

Statements of Functional Expenses, Continued
Year Ended June 30, 2022

	Program Services	Management and General	Fundraising	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
Donated professional services	-	40,000	-	40,000
Accounting fees	-	38,369	-	38,369
Miscellaneous	6,480	16,395	141	23,016
Travel and meetings	12,530	7,815	339	20,684
Subscriptions and dues	6,866	5,372	554	12,792
Depreciation and amortization	2,489	668	176	3,333
	$ 2,879,815	$ 328,928	$ 62,098	$ 3,270,841

See accompanying notes to financial statements.

VIRGINIA READY INITIATIVE

Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	$ (2,905,032)	$ (1,887,331)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Realized and unrealized gain on investments, net	(31,921)	27,391
Depreciation	6,419	3,036
Changes in operating assets and liabilities:		
Contributions receivable, net	200,000	1,866,304
Accrued revenue	(3,060)	-
Prepaid expenses	(6,192)	(3,132)
Accounts payable	17,224	47,213
Accrued credential awards	8,000	5,000
Other liabilities	10,623	23,597
Net cash (used in) provided by operating activities	(2,703,939)	82,078
Cash flows from investing activities:		
Purchases of investments	(5,815,957)	(8,117,966)
Proceeds from sales of investments	7,720,026	3,125,065
Purchases of property and equipment	(36,645)	(12,350)
Net cash provided by (used in) investing activities	1,867,424	(5,005,251)
Net change in cash and cash equivalents	(836,515)	(4,923,173)
Cash and cash equivalents, beginning of year	1,779,964	6,703,137
Cash and cash equivalents, end of year	$ 943,449	$ 1,779,964

See accompanying notes to financial statements.

1. Organization:

Virginia Ready Initiative (the “Organization” or “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. The Organization has partnered with businesses and educational institutions and programs to equip Virginians with the skills needed for sustainable jobs in high-growth sectors.

2. Summary of Significant Accounting Policies:

Basis of Accounting: The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (“GAAP”) as determined by the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”).

Cash and Cash Equivalents: The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for investment nor restricted by donors for long-term purposes, to be cash and cash equivalents.

Contributions Receivable, Net: The Organization initially records unconditional promises to give at fair value using present value techniques incorporating a risk-free rate. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. As of June 30, 2023, no discount was recorded as the full balance of contributions receivable is expected to be collected in 2024.

The Organization 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 and was written off under the direct write-off method as bad debt expense. As of June 30, 2023 and 2022, an allowance was not recorded because all unconditional promises were determined to be collectable.

Investments: Investment purchases are recorded 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 income reported in the statements of activities consists of interest and dividend income and realized and unrealized gains and losses, net of investment expenses, which were $8,824 for 2023 and $2,391 for 2022.

2. Summary of Significant Accounting Policies, Continued:

Investments, Continued: 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 the Organization's long-term investment strategy and therefore are reported as investments.

Property and Equipment: The Organization capitalizes all expenditures in excess of $1,000 with an extended useful life, as property and equipment. Property and equipment is recorded at cost, or if donated, at fair value on the date of donation. Depreciation 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.

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.

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. The Organization had no net assets to be maintained in perpetuity as of June 30, 2023 or 2022.

The Organization 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.

The Organization reported net assets restricted by donors of $850,000 as of June 30, 2023 and $1,050,000 as of June 30, 2022. 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.

2. Summary of Significant Accounting Policies, Continued:

Revenue and Revenue Recognition: The Organization follows ASC Topic 958 which includes guidance on recognizing grants and contributions (nonreciprocal transfers) as well as the determination of whether a contribution is conditional which affects the timing of revenue recognition. 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.

The Organization follows ASC Topic 606: Revenue Recognition for all contracts with customers for services (reciprocal transfers) unless those contracts are within the scope of other standards. During 2023, the Organization entered into an agreement to provide services to a partnership organization. The agreement includes specified performance obligations, and revenue is recognized over time as the obligations are met. Contract assets related to partnership services totaled $3,060 as of June 30, 2023. There were no contract assets for reciprocal transfers as of June 30, 2022 or 2021, and no contract liabilities as of June 30, 2023, 2022, or 2021.

Contributions of Non-Financial Assets: Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. A substantial number of unpaid volunteers have made significant contributions of their time in the Organization’s administrative and operating activities. The value of this donated time is not reflected in these financial statements as they do not meet the requirements for recognition.

All donated services and assets are utilized by the Organization in the year received and are recognized as contributions and expenses based on the fair value at the time of the donation. The Organization received donated accounting services valued at $40,000 in 2022 which is reported by function in the accompanying financial statements. There were no donor-imposed restrictions associated with the donated services and assets. There were no donated services or assets for 2023.

Functional Allocation of Expenses: The costs of program and supporting activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present 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 benefited. Salaries and wages, benefits, payroll taxes and certain other expenses have been allocated based on estimates of time and effort.

2. Summary of Significant Accounting Policies, Continued:

Income Tax Status: The Organization is a qualifying nonprofit organization as defined in Section 501(c)(3) of the Internal Revenue Code, and therefore is exempt from federal and state income taxes.

Income Tax Uncertainties: The Organization follows FASB guidance for how uncertain tax positions should be recognized, measured, disclosed, and presented in the financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Organization's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained "when challenged" or "when examined" by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense and liability in the current year.

Management has concluded that the Organization had no significant financial statement exposure to uncertain tax positions as of June 30, 2023 or 2022. The Organization is not currently under audit by any tax jurisdiction.

Estimates: The preparation of financial statements in conformity with GAAP requires the use of 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.

Financial Instruments and Credit Risk: The Organization manages deposit concentration risk by placing cash and money market accounts with financial institutions believed by the Organization to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds.

The Organization generates contributions and has contributions receivable from a limited number of donors. Credit risk associated with contributions receivable is considered to be limited because substantial portions of the outstanding amounts are due from corporations that are supportive of the Organization's mission. However, a change in future support could result in a meaningful change in revenue to the Organization. The Organization has evaluated its donor base as of June 30, 2023 and does not believe there are any concentrations related to credit risk necessary to disclose.

Reclassifications: Certain prior year balances have been reclassified to conform with the current year presentation.

Subsequent Events: Management has evaluated subsequent events through November 30, 2023, the date the financial statements were available to be issued and has determined that there are no subsequent events to be reported in the accompanying financial statements.

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:

	2023	2022
Cash and cash equivalents	$ 943,449	$ 1,779,964
Contributions receivable, net	850,000	1,050,000
Investments	3,093,363	4,965,511
Accrued revenue	3,060	-
Total financial assets available for use	$ 4,889,872	$ 7,795,475

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

4. Investments and Fair Value Measurements:

In determining fair value, the Organization uses a valuation approach within the FASB's fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

The FASB's fair value measurement framework establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available.

The guidance defines levels within the hierarchy based on the reliability of inputs as follows:

Level 1 — Inputs to the valuation are based on unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 — Inputs to the valuation are based on quoted prices for similar assets or liabilities in active markets or identical assets or liabilities in less active markets.

Level 3 — Inputs to the valuation are unobservable for the instrument and significant to the fair value measurement. The Organization did not have any assets valued using Level 3 inputs as of June 30, 2023 or 2022.

4. Investments and Fair Value Measurements, Continued:

The Organization's fixed income securities have readily determinable fair values based on daily redemption values. Money market funds and foreign currency are reported at cost. The following tables represent investments that are measured at fair value on a recurring basis at June 30:

	2023		
	Level 1	Level 2	Total
Investments:			
Money market	$ 1,550,619	$ -	$ 1,550,619
Fixed income	-	1,542,744	1,542,744
Total investments at fair value	$ 1,550,619	$ 1,542,744	$ 3,093,363

	2022		
	Level 1	Level 2	Total
Investments:			
Money market	$ 273,926	$ 429,783	$ 703,709
Fixed income	-	3,792,876	3,792,876
Foreign currency	-	468,926	468,926
Total investments at fair value	$ 273,926	$ 4,691,585	$ 4,965,511

5. Property and Equipment:

Property and equipment consists of the following at June 30:

	2023	2022
Furniture and fixtures	$ 16,203	$ 16,203
Website	36,645	-
	52,848	16,203
Less accumulated depreciation	(10,230)	(3,811)
Property and equipment, net	$ 42,618	$ 12,392

Depreciation expense totaled $6,419 for 2023 and $3,333 for 2022.

6. Credential Achievement Awards:

The Organization 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, 2023 and 2022, the Organization awarded 2,956 and 1,868 Credential Achievement Awards totaling $2,956,000 and $1,868,000. Accrued scholar awards totaled $173,000 as of June 30, 2023 and $165,000 as of June 30, 2022. As of June 30, 2023 and 2022, 243 and 438 students, respectively, were enrolled in the program but had not yet earned or verified their credential.

7. Employee Benefits:

The Organization 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. The Organization made matching contributions to the Plan totaling $25,652 for 2023 and $25,869 for 2022.