

Financial Statements

June 30, 2021

Virginia Ready Initiative

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KPMG LLP
Suite 900
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McLean, VA 22102

Independent Auditors' Report

The Board of Directors
Virginia Ready Initiative:

We have audited the accompanying financial statements of Virginia Ready Initiative, which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the period from inception through June 30, 2021, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Virginia Ready Initiative as of June 30, 2021, and the results of its operations and its cash flows for the period from inception through June 30, 2021 in accordance with U.S. generally accepted accounting principles.

KPMG LLP

McLean, Virginia
October 12, 2021

Virginia Ready Initiative
Statement of Financial Position
June 30, 2021

Assets

Cash and cash equivalents	\$ 6,703,137
Contributions receivable, net	2,916,304
Prepaid expenses	15,034
Property and equipment, net	3,079
Total assets	<u>\$ 9,637,554</u>

Liabilities and Net Assets

Liabilities

Accounts payable	\$ 62,188
Accrued credential awards	73,000
Other liabilities	37,042
Total liabilities	<u>172,230</u>

Net Assets

Without donor restrictions	6,549,020
With donor restrictions	2,916,304
	<u>9,465,324</u>
Total liabilities and net assets	<u>\$ 9,637,554</u>

Virginia Ready Initiative

Statement of Activities

For the period from Inception through June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue			
Individual contributions	\$ 7,510	\$ 5,000,000	\$ 5,007,510
Corporate and foundation contributions	-	5,980,000	5,980,000
Donated services	-	69,830	69,830
Net assets released from restrictions	8,133,526	(8,133,526)	-
Total revenue	8,141,036	2,916,304	11,057,340
Expenses and Losses			
Program services	1,348,355	-	1,348,355
Supporting services			
Management and general	186,161	-	186,161
Fundraising and development	55,320	-	55,320
Total supporting services	241,481	-	241,481
Total expenses	1,589,836	-	1,589,836
Change in Net Assets from Operations	6,551,200	2,916,304	9,467,504
Other Income (Expense)			
Dividends	809	-	809
Realized gains/(losses)	(2,989)	-	(2,989)
	(2,180)	-	(2,180)
Change in Net Assets	6,549,020	2,916,304	9,465,324
Net Assets, at Inception	-	-	-
Net Assets, June 30, 2021	\$ 6,549,020	\$ 2,916,304	\$ 9,465,324

See accompanying Notes to Financial Statements

Virginia Ready Initiative
Statement of Functional Expenses
For the period from Inception through June 30, 2021

	Program Services	Management and General	Fundraising and Development	Total
Credential awards	\$ 703,000	\$ -	\$ -	\$ 703,000
Salaries and benefits	427,790	93,236	27,423	548,449
Marketing	118,411	-	-	118,411
Contributed professional services	47,000	-	22,830	69,830
Accounting fees	4,858	62,605	-	67,463
Professional services	28,400	11,084	-	39,484
Information technology	12,814	7,424	-	20,238
Miscellaneous	6,082	11,812	5,067	22,961
Total expenses	\$ 1,348,355	\$ 186,161	\$ 55,320	\$ 1,589,836

See accompanying Notes to Financial Statements

Virginia Ready Initiative

Statement of Cash Flows

For the period from Inception through June 30, 2021

Cash Flows from Operating Activities	
Change in net assets	\$ 9,465,324
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation and amortization	773
Changes in operating assets and liabilities:	
Contributions receivable, net	(2,916,304)
Prepaid expenses	(15,034)
Accounts payable	62,188
Accrued credential awards	73,000
Accrued expenses and other liabilities	37,042
Net Cash from Operating Activities	<u>6,706,989</u>
Cash Flows from Investing Activities	
Purchases of property and equipment	(3,852)
Net Cash used in Investing Activities	<u>(3,852)</u>
Net Change in Cash and cash equivalents	6,703,137
Cash and cash equivalents, at Inception	<u>-</u>
Cash and cash equivalents, June 30, 2021	<u><u>\$ 6,703,137</u></u>

See accompanying Notes to Financial Statements

Note 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.

Through its VA Ready Scholars program, VA Ready provides a \$1,000 Credential Achievement Award to eligible Virginians who achieve a new credential in one of approximately 34 selected training programs, along with providing these Scholars with opportunities to interview at corporations who partner with VA Ready.

Note 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 the generally accepted accounting standards in the United States ("U.S. GAAP").

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.

Contributions Receivable

VA Ready records unconditional promises to give that are expected to be collected within one year at net realizable value. 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. At June 30, 2021, no allowance was recorded because all unconditional promises were determined to be collectable and all amounts are due in less than one year.

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.

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.

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.

At June 30, 2021, VA Ready reported net assets restricted by donors of \$2,916,304. 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.

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.

At June 30, 2021, 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.

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 services for consulting, legal, and technology services are reflected as contributions and expenses in the accompanying financial statements at their estimated fair values, which are based on current rates for similar services. During the period from Inception to June 30, 2021, these donated consulting, legal and technology services valued at \$69,830.

Functional Allocation of Expenses

The costs of program and supporting services 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. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied per ASU 2016-14 describing methods used to allocate costs among program and support functions. 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.

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 period from Inception to June 30, 2021.

Virginia Ready Initiative 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. Virginia Ready Initiative has analyzed the tax positions taken and has concluded that as of June 30, 2021, 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.

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.

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.

Recent Accounting Guidance

In August 2018, the FASB issued Accounting Standards Update (ASU) 2018-15, Intangibles – Goodwill and Other – Internal-Use Software which provided an update to previously issued ASU 2015-05 on this topic. The new guidance confirms that entities should account for costs associated with implementing a cloud computing arrangement that is considered a service contract in the same way as accounting for implementation costs incurred to develop or obtain software for internal use using the guidance in ASC 350-50. Management is currently evaluating the impact this ASU will have on the financial statements. The guidance will be effective for the fiscal year ended June 30, 2022.

Note 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, 2021:

	2021
Cash and cash equivalents	\$ 6,703,137
Contributions receivable, net	2,916,304
Total financial assets	9,619,441
Less: Net assets with donor restrictions	(2,916,304)
Financial assets available for use	\$ 6,703,137

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.

Note 4 - 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.

During the period from Inception through June 30, 2021, VA Ready awarded 703 Credential Achievement Awards totaling \$703,000, which is reflected in the accompanying Statement of Activities. As of June 30, 2021, 624 students were enrolled in the program but had not yet earned or verified their credential.

Note 5 - 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. This plan was effective on January 1, 2021. During the period from Inception through June 30, 2021, VA Ready made matching contributions to the plan of \$10,827.

Note 6 - Subsequent Events

VA Ready has evaluated subsequent events through October 12, 2021, 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.