

# **IMPRINTS CARES**

**Financial Statements**

**June 30, 2023 and 2022**

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To the Board of Directors  
Imprints Cares  
Winston-Salem, North Carolina

## **INDEPENDENT AUDITORS' REPORT**

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Imprints Cares (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, 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 presented fairly, in all material respects, the financial position of Imprints Cares as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Imprints Cares and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 Imprints Cares' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Imprints Cares' 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 Imprints Cares' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### ***Supplementary Information***

Our audits were conducted for the purpose of forming and opinion on the financial statements as a whole. The accompanying schedules of federal and state 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* and by the Office of the State Auditor, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. 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 February 26, 2024, on our consideration of Imprints Cares' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 Imprints Cares' internal control over financial reporting and compliance.

*Butler & Burke LLP*

Winston-Salem, North Carolina  
February 26, 2024

**IMPRINTS CARES**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2023 and 2022**

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	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,453,733	\$ 1,033,429
Grants receivable	428,727	126,000
Accounts receivable, net	2,581	13,239
Other receivables	12,634	6,568
Prepaid expenses	11,695	25,097
Property and equipment, net	1,770,068	806,034
Operating lease right-of-use assets	<u>61,604</u>	<u>-</u>
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 3,741,042</u></b>	<b><u>\$ 2,010,367</u></b>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 295,382	\$ 227,214
Deferred revenue	115,381	121,657
Grant advance	717,000	-
Note payable	768,682	-
Operating lease liabilities	<u>62,073</u>	<u>-</u>
<u>Total Liabilities</u>	<u>1,958,518</u>	<u>348,871</u>
 <b>Net Assets</b>		
Without donor restrictions	1,036,903	863,592
With donor restrictions	<u>745,621</u>	<u>797,904</u>
<u>Total Net Assets</u>	<u>1,782,524</u>	<u>1,661,496</u>
 <b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	<b><u>\$ 3,741,042</u></b>	<b><u>\$ 2,010,367</u></b>

**IMPRINTS CARES**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Support and Revenue</b>			
Smart Start	\$ 361,916	\$ -	\$ 361,916
United Way	147,791	-	147,791
Contributions and other grants	1,298,417	716,165	2,014,582
In-kind contributions	72,745	-	72,745
Expanded Learning Program	2,954,479	-	2,954,479
Rental income, net	69,890	-	69,890
Other income	<u>10,742</u>	<u>-</u>	<u>10,742</u>
	<u>4,915,980</u>	<u>716,165</u>	<u>5,632,145</u>
<b>Net assets released from restrictions</b>			
Satisfaction of purpose restrictions	763,448	(763,448)	-
Satisfaction of time restrictions	<u>5,000</u>	<u>(5,000)</u>	<u>-</u>
	<u>768,448</u>	<u>(768,448)</u>	<u>-</u>
 <b><u>Total Support and Revenue</u></b>	 <u>5,684,428</u>	 <u>(52,283)</u>	 <u>5,632,145</u>
<b>Expenses and Losses</b>			
Program services	4,674,801	-	4,674,801
Management and general	657,891	-	657,891
Fundraising	<u>142,507</u>	<u>-</u>	<u>142,507</u>
<b><u>Total Expenses</u></b>	<u>5,475,199</u>	<u>-</u>	<u>5,475,199</u>
 Loss on disposal of property and equipment	 <u>35,918</u>	 <u>-</u>	 <u>35,918</u>
 <b><u>Total Expenses and Losses</u></b>	 <u>5,511,117</u>	 <u>-</u>	 <u>5,511,117</u>
 Change in Net Assets	 173,311	 (52,283)	 121,028
 Net Assets, Beginning of Year	 <u>863,592</u>	 <u>797,904</u>	 <u>1,661,496</u>
 Net Assets, End of Year	 <u>\$ 1,036,903</u>	 <u>\$ 745,621</u>	 <u>\$ 1,782,524</u>

**IMPRINTS CARES**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Support and Revenue</b>			
Smart Start	\$ 383,871	\$ -	\$ 383,871
United Way	103,363	-	103,363
Contributions and other grants	547,487	393,400	940,887
In-kind contributions	729,378	-	729,378
Expanded Learning Program	2,311,360	-	2,311,360
Other income	<u>2,513</u>	<u>-</u>	<u>2,513</u>
	<u>4,077,972</u>	<u>393,400</u>	<u>4,471,372</u>
<b>Net assets released from restrictions</b>			
Satisfaction of purpose restrictions	575,219	(575,219)	-
Satisfaction of time restrictions	<u>5,000</u>	<u>(5,000)</u>	<u>-</u>
	<u>580,219</u>	<u>(580,219)</u>	<u>-</u>
 <b><u>Total Support and Revenue</u></b>	 <u>4,658,191</u>	 <u>(186,819)</u>	 <u>4,471,372</u>
<b>Expenses</b>			
Program services	3,492,303	-	3,492,303
Management and general	962,755	-	962,755
Fundraising	<u>48,102</u>	<u>-</u>	<u>48,102</u>
 <b><u>Total Expenses</u></b>	 <u>4,503,160</u>	 <u>-</u>	 <u>4,503,160</u>
 <b>Change in Net Assets</b>	 155,031	 (186,819)	 (31,788)
 <b>Net Assets, Beginning of Year</b>	 <u>708,561</u>	 <u>984,723</u>	 <u>1,693,284</u>
 <b>Net Assets, End of Year</b>	 <u>\$ 863,592</u>	 <u>\$ 797,904</u>	 <u>\$ 1,661,496</u>



**IMPRINTS CARES**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2023**

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 3,300,181	\$ 305,675	\$ 23,701	\$ 3,629,557
Payroll taxes	260,205	21,301	1,813	283,319
Employee benefits	230,034	52,862	5,492	288,388
<b>Total Salaries and Related Expenses</b>	<b>3,790,420</b>	<b>379,838</b>	<b>31,006</b>	<b>4,201,264</b>
Contracted services	138,776	76,901	-	215,677
Supplies	189,763	7,912	53,081	250,756
Travel	26,722	10,602	181	37,505
Communication and postage	33,501	3,171	-	36,672
Printing and publications	6,314	1,923	81	8,318
Repairs and maintenance	62,354	10,968	-	73,322
Equipment rental	15,762	3,080	-	18,842
Meetings and conferences	5,836	-	-	5,836
Training	23,051	2,754	95	25,900
Office space, includes donated space of \$20,097	22,080	3,097	-	25,177
Utilities	17,436	4,826	-	22,262
Insurance and bonds	59,233	49,595	-	108,828
Dues and subscriptions	21,643	10,867	4,636	37,146
Property taxes	9,403	23,236	-	32,639
Advertising	23,652	4,761	44,488	72,901
Other expenses	122,340	40,496	8,939	171,775
Interest	23,000	9,669	-	32,669
Depreciation	76,059	14,195	-	90,254
Bad debt expense	7,456	-	-	7,456
<b>Total Expenses</b>	<b>\$ 4,674,801</b>	<b>\$ 657,891</b>	<b>\$ 142,507</b>	<b>\$ 5,475,199</b>

**IMPRINTS CARES**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2022**

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 2,486,001	\$ 504,484	\$ 22,680	\$ 3,013,165
Payroll taxes	197,480	38,203	1,735	237,418
Employee benefits	115,819	84,006	8,728	208,553
<b>Total Salaries and Related Expenses</b>	<b>2,799,300</b>	<b>626,693</b>	<b>33,143</b>	<b>3,459,136</b>
Contracted services	44,315	149,143	644	194,102
Supplies	141,136	19,832	116	161,084
Travel	39,020	3,445	246	42,711
Communication and postage	30,379	11,183	757	42,319
Printing and publications	9,806	5,054	2,295	17,155
Repairs and maintenance	12,351	7,571	16	19,938
Equipment rental	10,275	10,274	-	20,549
Meetings and conferences	9,446	2,600	312	12,358
Training	7,870	3,895	-	11,765
Office space, includes donated space of \$74,378	152,275	10,017	-	162,292
Insurance and bonds	36,697	35,324	-	72,021
Dues and subscriptions	48,834	7,897	1,667	58,398
Advertising	13,521	2,732	8,506	24,759
Other expenses	71,557	56,513	400	128,470
Interest	-	708	-	708
Depreciation	55,951	9,874	-	65,825
Bad debt expense	9,570	-	-	9,570
<b>Total Expenses</b>	<b>\$ 3,492,303</b>	<b>\$ 962,755</b>	<b>\$ 48,102</b>	<b>\$ 4,503,160</b>

**IMPRINTS CARES**  
**STATEMENTS OF CASH FLOWS**  
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ 121,028	\$ (31,788)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	90,254	65,825
Amortization on operating leases	18,842	-
Bad debt expense	7,456	9,570
Non-cash gift of real estate	-	(655,000)
Loss on disposal of property and equipment	35,918	-
(Increase) decrease in operating assets:		
Grants receivable	(302,727)	714,307
Accounts receivable	3,202	(22,762)
Other receivables	(6,066)	2,437
Prepaid expenses	13,402	(6,686)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	35,762	68,730
Deferred revenue	(6,276)	12,487
Grant advance	717,000	-
Operating lease liabilities	(18,373)	-
<u>Net Cash Provided by Operating Activities</u>	<u>709,422</u>	<u>157,120</u>
<b>INVESTING ACTIVITIES</b>		
Capital expenditures	(1,057,800)	(3,968)
<u>Net Cash Used in Investing Activities</u>	<u>(1,057,800)</u>	<u>(3,968)</u>
<b>FINANCING ACTIVITIES</b>		
Principal payments on note payable	(17,568)	-
Proceeds from note payable`	786,250	-
Repayment of capital lease obligation	-	(2,157)
<u>Net Cash Provided by (Used in) Financing Activities</u>	<u>768,682</u>	<u>(2,157)</u>
Change in Cash and Cash Equivalents	420,304	150,995
Cash and Cash Equivalents, Beginning of Year	<u>1,033,429</u>	<u>882,434</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,453,733</u>	<u>\$ 1,033,429</u>
<b>SUPPLEMENTAL INFORMATION:</b>		
Cash paid for interest	<u>\$ 32,669</u>	<u>\$ 708</u>

## IMPRINTS CARES

### NOTES TO FINANCIAL STATEMENTS

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#### NOTE A: NATURE OF ORGANIZATION

Imprints Cares, formally Imprints, (the "Organization") is a private non-profit organization whose mission is to strengthen families through services and partnerships to prepare children for life.

This mission is accomplished through the following programs:

*Ready for School* - its goal is to support parents to become their children's best as well as first teachers. Parent educators provide parents with child development information based on the most current neuroscience research through an intensive home visitation program.

*Expanded Learning Program* - is a high quality, competitively priced, before and after school program that provides children with a smooth transition to and from the classroom. During the program, the Organization implements developmentally appropriate practices through center-based play. Children engage in age-appropriate activities and interact with staff and peers to promote optimal social and emotional development.

#### NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America (GAAP). The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

*Net assets without donor restrictions* - net assets that are not restricted by donors or for which donor-imposed restrictions have expired. If the board specifies a purpose where none has been stated, such funds are classified as board designated assets without donor 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.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e. donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

## IMPRINTS CARES

### NOTES TO FINANCIAL STATEMENTS

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#### NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### Cash and Cash Equivalents

The Organization considers all demand deposits at financial institutions and all highly liquid investments with an original maturity of three months or less to be cash equivalents. These accounts, at times, may exceed federally insured limits. The Organization has not experienced any losses on these accounts and does not believe it is exposed to significant credit risk.

##### Grants Receivable

Grants receivable are stated at net realizable value. All grants are expected to be received within one year.

##### Accounts Receivable

The Organization records accounts receivable at the total unpaid balances, which approximates fair value as of June 30, 2023 and 2022. The Organization determines past-due status of individual accounts receivable based on the contractual terms of the original service. The Organization estimates its allowance for doubtful accounts based on a combination of factors, including the Organization's historical loss experience and any anticipated effects related to current economic conditions, as well as management's knowledge of the current composition of accounts receivable. The allowance for doubtful accounts was \$13,173 and \$9,479 at June 30, 2023 and 2022, respectively. Accounts receivable that management believes to be ultimately not collectible are written off upon such determination.

##### Promises to Give

Contributions and grants (promises to give) are recognized as revenues in the period the commitment is made. The Organization 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 risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contributions and grants revenue in the statements of activities. The Organization determines an allowance for uncollectible promises to give based on historical experience, an assessment of the economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible. An allowance for uncollectible promises to give was not considered necessary at June 30, 2023 and 2022. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions upon which they depend are substantially met.

##### Property and Depreciation

Property and equipment additions greater than \$1,000 are recorded cost or, if donated, at the approximate fair value at the date of donation. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, generally from three to thirty-nine years. Expenditures for maintenance, repairs and minor renewals are charged to expense as incurred.

## IMPRINTS CARES

### NOTES TO FINANCIAL STATEMENTS

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#### NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received.

Deferred revenue consists of advance payments for summer camps.

##### Donated Services and In-Kind Contributions

Contributions of assets other than cash are recorded at their estimated fair value. The Organization reports revenues for the fair value of contributed services received where the services require specialized skills, are provided by individuals possessing these skills, and represent services that would have been purchased had they not been donated. A substantial number of volunteers donate significant amounts of time to the Organization; however, no amounts have been reflected in the financial statements for these services since the donated services do not meet the above conditions for recognition under GAAP.

##### Functional Allocation of Expenses

The costs of program and supporting services 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. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include primarily salaries and related expenses, which are allocated on the basis of estimates of time and effort, and rent, which is allocated on a square footage basis.

##### Tax-Exempt Status

The Organization is a not-for-profit organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income tax expense is limited to activities that are deemed by the Internal Revenue Service to be unrelated to their exempt purpose.

The Organization's primary tax positions relate to its status as a not-for-profit entity exempt from income taxes and classification of activities related to its exempt purpose. It is the opinion of management that the Organization has no uncertain tax positions that would be subject to change upon examination.

The Organization is required to file a federal exempt organization tax return (Form 990) annually to retain its exempt status. The Organization is also required to file an exempt organization business income tax return (Form 990-T) for any year unrelated business income exceeds \$1,000. The Organization's Form 990 filings are generally subject to examination by the Internal Revenue Service for three years after they are filed.

## IMPRINTS CARES

### NOTES TO FINANCIAL STATEMENTS

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#### NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### Use of Estimates

The preparation of financial statements in conformity of GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

##### Subsequent Events

The Organization has evaluated its subsequent events (events occurring after June 30, 2023) through the date of this report, which represents the date the financial statements were available to be issued and determined that all significant events and disclosures are included in the financial statements.

##### Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

##### Accounting Pronouncement Adopted in the Current Year

##### *Lease Arrangements*

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases* (Topic 842). This guidance requires the rights and obligations of new and existing lease arrangements to be recognized as assets and liabilities in the statement of financial position. The guidance also requires disclosures to better inform financial statement users of the amount, timing and uncertainty of cash flows arising from leases. The primary impact of this guidance, which is effective for periods beginning after December 15, 2021, will be to record right-of-use (ROU) assets and obligations for current operating leases. The Organization elected to adopt the requirements of the guidance effective July 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption under ASU No. 2018-11, *Leases* (Topic 842) – *Targeted Improvements*. The adoption resulted in the recognition of operating ROU assets of \$34,519 as well as operating lease liabilities of \$34,519 as of July 1, 2022. There was no cumulative effect adjustment to the opening balance of net assets required.

In order to ease the transition process in the year of implementation, the Organization has elected to adopt the package of practical expedients available in the year of adoption provided in ASU 2016-02 and has elected not to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the ROU assets.

The Organization has made the accounting policy election not to separate lease components from non-lease components, but rather will account for the components as a single lease component.

The Organization has made the accounting policy election to not apply the recognition requirements of Topic 842 for short-term leases for all existing and future short-term leases for all classes of underlying assets. A short-term lease is defined as a lease that, at the commencement date, has a lease term of twelve months or less and does not include an option to purchase the underlying asset that the lessee is reasonably certain to exercise.

**IMPRINTS CARES**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Accounting Pronouncement Adopted in the Current Year (Continued)**

***Lease Arrangements (Continued)***

Finally, the Organization has adopted ASU 2021-09, *Leases* (Topic 842) – *Discount Rate for Lessees That Are Not Public Business Entities*, which provides for more flexibility in determining discount rates for leases and allows for a risk-free rate election. In the absence of a rate implicit in a lease, an incremental borrowing rate or risk-free rate may be used to determine the initial carrying value of the lease liability. the Organization has elected to use the risk-free rate for periods comparable to lease terms for all classes of underlying assets. The risk-free rate is the rate of a zero-coupon U.S. Treasury instrument.

**NOTE C: LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the balance sheet date, comprise the following:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,453,733	\$ 1,033,429
Receivables, net	<u>443,942</u>	<u>145,807</u>
<b>Total financial assets</b>	<b>1,897,675</b>	<b>1,179,236</b>
<b>Less those unavailable for general expenditure within one year due to:</b>		
Purpose or passage of time restrictions	<u>(740,621)</u>	<u>(792,904)</u>
<b>Financial assets available to meet cash needs for general expenditure within one year</b>	<b><u>\$ 1,157,054</u></b>	<b><u>\$ 386,332</u></b>

The Organization has a goal to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Organization has a \$150,000 line of credit available to draw upon, if needed.



**IMPRINTS CARES**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE D: PROPERTY AND EQUIPMENT**

A summary of property and equipment is as follows at June 30:

	<u>2023</u>	<u>2022</u>
Office furniture and equipment	\$ 122,906	\$ 90,604
Land and building	1,576,124	655,000
Building improvements	6,421	-
Leasehold improvements	-	79,106
Software and website	37,145	5,000
Vehicles	242,881	242,881
Assets not yet in service	<u>107,702</u>	<u>9,489</u>
	2,093,179	1,082,080
Less accumulated depreciation	<u>(323,111)</u>	<u>(276,046)</u>
	<u>\$ 1,770,068</u>	<u>\$ 806,034</u>

Depreciation expense totaled \$90,254 and \$65,825 for the years ended June 30, 2023 and 2022, respectively.

**NOTE E: LINE OF CREDIT**

The Organization has available a \$150,000 line of credit with a local financial institution. Terms include interest at the Wall Street Journal prime rate, with a floor of 5.00% and a maturity date of August 12, 2024. The line of credit is secured by all accounts receivable, grants receivable and pledges receivable. The Organization did not have a balance owed on the line of credit as of June 30, 2023 or 2022.

**IMPRINTS CARES**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE F: NOTE PAYABLE**

Note payable is summarized as follows at June 30:

	<u>2023</u>	<u>2022</u>
<b>Note payable to Bank of the Ozarks is secured by certain land and building, 4.75% interest rate, principal and interest payable in monthly payments of \$4,520 through August 2027, at which time any remaining balance of principal and accrued interest will be due in full.</b>	<b><u>\$ 768,682</u></b>	<b><u>\$ -</u></b>

Future maturities of notes payable at June 30, 2023 are as follows:

<b>2024</b>	<b>\$ 17,962</b>
<b>2025</b>	<b>18,834</b>
<b>2026</b>	<b>19,748</b>
<b>2027</b>	<b>20,707</b>
<b>2028</b>	<b><u>691,431</u></b>
	<b><u>\$ 768,682</u></b>

Interest expense totaled \$32,669 for the year ended June 30, 2023.

**NOTE G: LEASES**

The Organization leases office equipment under long-term non-cancelable operating lease arrangements. The leases expire through March 2028. The lease assets and liabilities were calculated utilizing the risk-free discount rate, according to the Organization's elected policy.

Total right-of-use assets and liabilities at June 30, 2023 are classified as follows in the statement of financial position:

<b>Lease assets -</b>	
<b>Operating lease right-of-use assets</b>	<b><u>\$ 61,604</u></b>
<b>Lease liabilities -</b>	
<b>Operating lease liabilities</b>	<b><u>\$ 62,073</u></b>

**IMPRINTS CARES**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE G: LEASES (CONTINUED)**

Total lease costs for the year ended June 30, 2023 are as follows:

<b>Operating lease costs</b>	
<b>Equipment rental</b>	<b>\$ 18,842</b>
<b>Short-term lease costs</b>	
<b>Office space</b>	<u><b>25,177</b></u>
<b>Total lease costs</b>	<u><b>\$ 44,019</b></u>

Rent expense under all operating leases totaled \$20,549 for the year ended June 30, 2022.

The following summarizes the weighted-average discount rate and remaining lease term as of June 30, 2023:

<b>Weighted average discount rate</b>	<b>2.24%</b>
<b>Weighted average remaining lease term</b>	<b>3.51 years</b>

Future minimum lease payments required under operating leases that have an initial or remaining non-cancelable lease term in excess of one year are as follows at each June 30:

<b>2024</b>	<b>\$ 19,906</b>
<b>2025</b>	<b>17,335</b>
<b>2026</b>	<b>17,335</b>
<b>2027</b>	<b>8,605</b>
<b>2028</b>	<u><b>1,575</b></u>
<b>Total lease payments</b>	<b>64,756</b>
<b>Less: interest</b>	<u><b>(2,683)</b></u>
<b>Present value of lease liabilities</b>	<u><b>\$ 62,073</b></u>

The following summarizes cash flow information related to leases for the year ended June 30, 2023:

<b>Cash paid for amounts included in the measurement of lease liabilities:</b>	
<b>Operating cash flows from operating leases</b>	<u><b>\$ 18,373</b></u>
<b>Right-of-use assets obtained in exchange for lease obligations:</b>	
<b>Operating leases</b>	<u><b>\$ 44,594</b></u>

**IMPRINTS CARES**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE H: NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of the following at June 30:

	<u>2023</u>	<u>2022</u>
<b>Subject to expenditure for specified purposes:</b>		
Scholarships	\$ -	\$ 5,748
Parents as Teachers program	86,875	128,500
Family, Friend and Neighbor program	165,017	308,526
Pediatric Parenting Connections	94,974	337,630
Other	-	7,500
Book Babies program	68,755	-
Interior renovation	250,000	-
Bus purchase	75,000	-
	<u>740,621</u>	<u>787,904</u>
<b>Subject to passage of time:</b>		
Operational support	<u>5,000</u>	<u>10,000</u>
	<u>\$ 745,621</u>	<u>\$ 797,904</u>

**NOTE I: CONCENTRATION OF REVENUE**

During the years ended June 30, 2023 and 2022, respectively, approximately 47% and 52% of the Organization's total support and revenue was derived from the Expanded Learning Program. The Organization operates the program under an agreement with Winston-Salem Forsyth County Schools, which is subject to renewal on an annual basis.

**NOTE J: RETIREMENT PLAN**

The Organization created a defined contribution retirement plan effective July 1, 2016. Employees who normally work more than twenty hours per week are eligible to participate in the plan at the date they are hired. The Organization may match employee contributions on a discretionary basis determined each year. For the years ended June 30, 2023 and 2022, the Organization matched up to 3% of employees' annual compensation. The Organization contributed \$44,732 and \$32,220 to this plan during the years ended June 30, 2023 and 2022, respectively.

**IMPRINTS CARES**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE K: IN-KIND CONTRIBUTIONS**

The Organization received the following in-kind contributions for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Office and classroom space	\$ 20,097	\$ 74,378
Supplies	52,648	-
Real estate	<u>-</u>	<u>655,000</u>
	<u>\$ 72,745</u>	<u>\$ 729,378</u>

The Organization requires the use of office and classroom space for its daily operations. The value is based on current market rates for the use of office and classroom space.

The Organization was also provided supplies from various donors at no cost. The value is based on current market rates for these items.

The Organization was gifted real property during the year ended June 30, 2022. The appraised value on the date of the gift was approximately \$655,000.

All in-kind contributions received by the Organization for the years ended June 30, 2023 and 2022 were considered without donor restrictions and able to be used by the Organization as determined by the board of directors and management.

**NOTE L: CONTINGENCIES**

Financial awards from federal and state governmental entities in the form of grants are subject to review and/or audit. Such review could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such review or audit since the amount, if any, cannot be determined at this date.

For the year ended June 30, 2023, the Organization was awarded federal grant funding via Forsyth County of \$744,632 for various equipment and other capital items, with the majority of it to be used to assist in the purchase of the 711 Coliseum Plaza Court building. Under the grant contract, any real property or equipment acquired with federal grant funds must be used, insured, managed, and disposed of in accordance with 2 CFR 200.311 through 2 CFR 200.316, and must be returned to the grantor as soon as it is no longer used for an allowable use, as required by the Uniform Guidance and other federal law.

**IMPRINTS CARES**  
**SCHEDULE OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2023**

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<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Assistance Listing Number (ALN)</u>	<u>Expenditures</u>
U.S. Department of Treasury: Pass-through from Forsyth County, North Carolina Coronavirus State and Local Fiscal Recovery Funds - * Healthy Childhood Environments Early Learning	21.027	\$ 491,825
U.S. Department of Treasury: Pass-through from N.C. Department of Public Instruction and Winston-Salem/Forsyth County Schools Coronavirus Relief Fund - * ICARES Competitive Grant program - Remote Learning Facilities	21.019	<u>323,925</u>
<u>Total U.S. Department of Treasury:</u>		<u>815,750</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<b><u>\$ 815,750</u></b>

\* Denotes a program having a direct and material effect on the financial statements.

**IMPRINTS CARES**  
**SCHEDULE OF STATE AWARDS**  
**For the Year Ended June 30, 2023**

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<u>State Grantor/Pass-Through Grantor/Program Title</u>	<u>Receipts</u>	<u>Expenditures</u>
N.C. Department of Health and Human Services: Pass-through from Division of Child Development and Early Education - Smart Start of North Carolina - * Smart Start of Forsyth County	<u>\$ 361,916</u>	<u>\$ 361,916</u>
<b><u>Total N.C. Department of Health and Human Services:</u></b>	<b><u>361,916</u></b>	<b><u>361,916</u></b>
<b>TOTAL NORTH CAROLINA AWARDS</b>	<b><u>\$ 361,916</u></b>	<b><u>\$ 361,916</u></b>

\* Denotes a program having a direct and material effect on the financial statements.

**IMPRINTS CARES**  
**NOTES TO SCHEDULES OF FEDERAL AND STATE AWARDS**

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**NOTE A: BASIS OF PRESENTATION**

The accompanying schedules of federal and state awards include the federal and state grant activity of Imprints Cares and are presented on the accrual basis. The information in the schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and N.C. General Statute 143C-6-23. Therefore, some amounts presented in the schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE B: INDIRECT COST RATE**

The Organization has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.



To the Board of Directors  
Imprints Cares  
Winston-Salem, North Carolina

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Imprints Cares (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 26, 2024.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Imprints Cares' 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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of Imprints Cares' 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 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 to merit the attention by those charged with governance.

Our consideration of the internal control over financial reporting 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Imprints Cares' financial statements are free of material misstatements, 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.

*Butler & Burke LLP*

Winston-Salem, North Carolina  
February 26, 2024

Board of Directors  
Imprints Cares  
Winston-Salem, North Carolina

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Imprints Cares's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Imprints Cares's major federal programs for the year ended June 30, 2023. Imprints Cares's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Imprints Cares 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, 2023.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Imprints Cares and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not have a legal determination of Imprints Cares's compliance with the compliance requirements referred to above.

### ***Responsibility of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of law, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Imprints Cares's federal programs.

### ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Imprints Cares's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, internal omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Imprints Cares's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Imprints Cares's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Imprints Cares's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Imprints Cares's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

*Butler & Burke LLP*

Winston-Salem, North Carolina  
February 26, 2024

