

IMPRINTS CARES

Financial Statements

June 30, 2021 and 2020

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

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of Imprints Cares (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 auditor's 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 Imprints Cares as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of federal and state awards on pages 20 and 21, as required by North Carolina General Statute 143C-6-23, 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 basic 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 March 8, 2022, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Imprints Cares' internal control over financial reporting and compliance.

Correction of Error

As discussed in Note M to the financial statements, certain errors related to the presentation of previously reported assets and net assets were discovered by management during the current year. Our opinion is not modified with respect to that matter.

Butler & Burke LLP

Winston-Salem, North Carolina
March 8, 2022

IMPRINTS CARES
STATEMENTS OF FINANCIAL POSITION
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 882,434	\$ 1,500,086
Grants receivable	840,307	239,253
Accounts receivable, net	47	985
Other receivables	9,005	5,127
Prepaid expenses	18,411	12,281
Property and equipment, net	<u>203,402</u>	<u>244,158</u>
<u>TOTAL ASSETS</u>	<u>\$ 1,953,606</u>	<u>\$ 2,001,890</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 148,995	\$ 229,198
Deferred revenue	109,170	209,592
Capital lease obligation	2,157	3,833
Note payable	-	5,714
Loan payable	-	<u>622,000</u>
<u>Total Liabilities</u>	<u>260,322</u>	<u>1,070,337</u>
Net Assets		
Without donor restrictions	708,561	67,558
With donor restrictions	<u>984,723</u>	<u>863,995</u>
<u>Total Net Assets</u>	<u>1,693,284</u>	<u>931,553</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 1,953,606</u>	<u>\$ 2,001,890</u>

IMPRINTS CARES
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue			
Smart Start	\$ 344,212	\$ -	\$ 344,212
United Way	175,725	-	175,725
Contributions and other grants	1,120,740	812,975	1,933,715
In-kind contributions	60,383	-	60,383
Expanded Learning Program	901,765	-	901,765
Gain upon debt extinguishment	622,000	-	622,000
Other income	<u>5,995</u>	<u>-</u>	<u>5,995</u>
	3,230,820	812,975	4,043,795
Net assets released from restrictions	<u>692,247</u>	<u>(692,247)</u>	<u>-</u>
<u>Total Support and Revenue</u>	<u>3,923,067</u>	<u>120,728</u>	<u>4,043,795</u>
Expenses			
Program services	2,792,322	-	2,792,322
Management and general	464,423	-	464,423
Fundraising	<u>25,319</u>	<u>-</u>	<u>25,319</u>
<u>Total Expenses</u>	<u>3,282,064</u>	<u>-</u>	<u>3,282,064</u>
Change in Net Assets	641,003	120,728	761,731
Net Assets, Beginning of Year	<u>67,558</u>	<u>863,995</u>	<u>931,553</u>
Net Assets, End of Year	<u>\$ 708,561</u>	<u>\$ 984,723</u>	<u>\$ 1,693,284</u>

IMPRINTS CARES
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue			
Smart Start	\$ 358,527	\$ -	\$ 358,527
United Way	130,168	-	130,168
Contributions and other grants	292,712	1,138,392	1,431,104
In-kind contributions	46,759	-	46,759
Expanded Learning Program	2,273,009	-	2,273,009
Other income	<u>28,408</u>	<u>-</u>	<u>28,408</u>
	3,129,583	1,138,392	4,267,975
Net assets released from restrictions	<u>439,705</u>	<u>(439,705)</u>	<u>-</u>
<u>Total Support and Revenue</u>	<u>3,569,288</u>	<u>698,687</u>	<u>4,267,975</u>
Expenses			
Program services	3,400,280	-	3,400,280
Management and general	607,468	-	607,468
Fundraising	<u>29,460</u>	<u>-</u>	<u>29,460</u>
<u>Total Expenses</u>	<u>4,037,208</u>	<u>-</u>	<u>4,037,208</u>
Change in Net Assets	(467,920)	698,687	230,767
Net Assets, Beginning of Year	<u>535,478</u>	<u>165,308</u>	<u>700,786</u>
Net Assets, End of Year	<u>\$ 67,558</u>	<u>\$ 863,995</u>	<u>\$ 931,553</u>

IMPRINTS CARES
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2021

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 1,937,388	\$ 247,530	\$ 17,940	\$ 2,202,858
Payroll taxes	166,005	16,011	1,372	183,388
Employee benefits	125,265	24,897	3,723	153,885
Total Salaries and Related Expenses	2,228,658	288,438	23,035	2,540,131
Contracted services	93,438	61,847	-	155,285
Supplies	70,431	6,285	-	76,716
Travel	22,169	233	-	22,402
Communication and postage	33,831	12,989	-	46,820
Printing and publications	2,582	2,501	2,284	7,367
Equipment rental and repair	38,356	9,787	-	48,143
Meetings and conferences	787	320	-	1,107
Training	11,079	578	-	11,657
Rent, includes donated space of \$60,383	118,097	9,167	-	127,264
Insurance and bonds	34,033	44,204	-	78,237
Dues and subscriptions	27,011	150	-	27,161
Advertising	11,678	5,648	-	17,326
Other expenses	54,206	12,658	-	66,864
Interest	-	611	-	611
Depreciation	51,504	9,007	-	60,511
Bad debt expense	(5,538)	-	-	(5,538)
Total Expenses	\$ 2,792,322	\$ 464,423	\$ 25,319	\$ 3,282,064

IMPRINTS CARES
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2020

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 2,421,489	\$ 323,827	\$ 18,028	\$ 2,763,344
Payroll taxes	188,603	23,582	1,379	213,564
Employee benefits	150,742	32,156	4,378	187,276
Total Salaries and Related Expenses	2,760,834	379,565	23,785	3,164,184
Contracted services	43,602	53,250	-	96,852
Supplies	105,068	8,500	-	113,568
Travel	37,852	694	-	38,546
Communication and postage	32,077	4,822	-	36,899
Printing and publications	648	7,865	5,675	14,188
Equipment rental and repair	43,134	18,282	-	61,416
Meetings and conferences	7,897	8,512	-	16,409
Training	7,030	4,517	-	11,547
Rent, includes donated space of \$46,759	89,972	8,231	-	98,203
Insurance and bonds	30,933	41,895	-	72,828
Dues and subscriptions	99,342	3,095	-	102,437
Advertising	19,318	47,518	-	66,836
Other expenses	71,600	1,405	-	73,005
Interest	-	2,482	-	2,482
Depreciation	44,051	16,835	-	60,886
Bad debt expense	6,922	-	-	6,922
Total Expenses	\$ 3,400,280	\$ 607,468	\$ 29,460	\$ 4,037,208

IMPRINTS CARES
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 761,731	\$ 230,767
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	60,511	60,886
Bad debt expense	(5,538)	6,922
Non-cash interest income	-	(6,952)
Gain upon debt extinguishment	(622,000)	-
(Increase) decrease in operating assets:		
Grants receivable	(601,054)	(198,339)
Accounts receivable	6,476	(3,127)
Other receivables	(3,878)	(501)
Prepaid expenses	(6,130)	1,218
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(80,203)	4,228
Deferred revenue	(100,422)	67,037
<u>Net Cash Provided by (Used in) Operating Activities</u>	<u>(590,507)</u>	<u>162,139</u>
INVESTING ACTIVITIES		
Capital expenditures	(19,755)	(11,716)
Maturity of certificate of deposit	-	310,335
<u>Net Cash Provided by (Used in) Investing Activities</u>	<u>(19,755)</u>	<u>298,619</u>
FINANCING ACTIVITIES		
Principal payments on note payable	(5,714)	(8,807)
Repayment of capital lease obligation	(1,676)	(1,676)
Proceeds from loan payable	-	622,000
<u>Net Cash Provided by (Used in) Financing Activities</u>	<u>(7,390)</u>	<u>611,517</u>
Change in Cash and Cash Equivalents	(617,652)	1,072,275
Cash and Cash Equivalents, Beginning of Year	<u>1,500,086</u>	<u>427,811</u>
Cash and Cash Equivalents, End of Year	<u>\$ 882,434</u>	<u>\$ 1,500,086</u>
SUPPLEMENTAL INFORMATION:		
Cash paid for interest	<u>\$ 611</u>	<u>\$ 2,483</u>

IMPRINTS CARES

NOTES TO FINANCIAL STATEMENTS

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 U.S. generally accepted accounting principles (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

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, 2021 and 2020. 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. There was no allowance for doubtful accounts at June 30, 2021. The allowance for doubtful accounts was \$5,538 at June 30, 2020. 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, 2021 and 2020. 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 ten years. Expenditures for maintenance, repairs and minor renewals are charged to expense as incurred.

IMPRINTS CARES

NOTES TO FINANCIAL STATEMENTS

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 revenue for the fair value of donated facility usage and 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. The recognized value of facility usage is based on the excess of fair market rental values over the actual amount of rent payments. During the years ended June 30, 2021 and 2020, the Organization recognized \$60,383 and \$46,759, respectively, in donated facility usage. Additionally, the Organization receives a significant amount of contributed time which does not meet the above criteria, and therefore is not reflected in the accompanying financial statements.

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

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, 2021) 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.

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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 882,434	\$ 1,500,086
Receivables, net	<u>849,359</u>	<u>245,365</u>
Total financial assets	1,731,793	1,745,451
Less those unavailable for general expenditure within one year due to:		
Purpose or passage of time restrictions	<u>(979,723)</u>	<u>(813,995)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 752,070</u>	<u>\$ 931,456</u>

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

NOTE D: PROPERTY AND EQUIPMENT

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

	<u>2021</u>	<u>2020</u>
Office furniture and equipment	\$ 86,635	\$ 69,395
Leasehold improvements	79,106	79,106
Software and website	7,098	7,098
Vehicles	<u>242,881</u>	<u>242,881</u>
	415,720	398,480
Less accumulated depreciation	<u>(212,318)</u>	<u>(154,322)</u>
	<u>\$ 203,402</u>	<u>\$ 244,158</u>

Depreciation expense totaled \$60,511 and \$60,886 for the years ended June 30, 2021 and 2020, respectively.

NOTE E: NOTE PAYABLE

Note payable is summarized as follows at June 30:

	<u>2021</u>	<u>2020</u>
Note payable to a finance company, 13.69% interest, rate, principal and interest payable in monthly payments of \$854 through January 2021, secured by phone system.	<u>\$ -</u>	<u>\$ 5,714</u>

Interest expense totaled \$611 and \$2,483 for the years ended June 30, 2021 and 2020, respectively.

NOTE F: LOAN PAYABLE

In April 2020, the Organization received loan proceeds in the amount of \$622,000 under the Paycheck Protection Program (“PPP”). Established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), the PPP provides for loans to qualifying businesses in amounts up to 2.5 times the business’s average monthly payroll expenses. PPP loans and accrued interest are forgivable after a “covered period” (24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities. The Organization believes it used the PPP loan proceeds for purposes consistent with the PPP and obtained forgiveness of the entire loan balance including accrued interest in May 2021 from the Small Business Administration.

The Organization initially accounted for the PPP loan in accordance with ASC 470, *Debt*, and subsequently derecognized the debt when the debt was forgiven in accordance with ASC 405-20, *Liabilities: Extinguishments of Liabilities*. The amount forgiven is presented in the statement of activities for the year ended June 30, 2021 as a gain upon debt extinguishment.

IMPRINTS CARES
NOTES TO FINANCIAL STATEMENTS

NOTE G: 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 May 12, 2022. 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, 2021 or 2020.

NOTE H: OPERATING LEASES

The Organization is a party to a lease agreement providing for the rental of the Augsburg Community Center for office space. The lease is renewable annually. Total rent expense under this lease was \$111,469 and \$77,407 for the years ended June 30, 2021 and 2020, respectively. Rent expense includes cash payments of \$66,881 and \$46,444 and fair rental value of donated space of \$44,587 and \$30,963 for the years ended June 30, 2021 and 2020, respectively. Additionally, the Organization receives donated space from Atrium Health. This space, consisting of 929 square feet located in the Downtown Health Plaza, has an annual rental value of \$15,796. Also, for the year ended June 30, 2020, the Organization rented additional space for cash payments totaling \$5,000.

The Organization also leases office equipment under noncancelable leases expiring through June 2022. Future minimum lease payments under this lease as of June 30, 2021 are as follows:

2022	\$ <u>10,440</u>
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NOTE I: CAPITAL LEASE

The Organization leases equipment under a capital lease expiring in August 2022. Future minimum lease payments under this lease are summarized as follows:

2022	\$ 1,676
2023	<u>481</u>
Total minimum lease payments	\$ <u>2,157</u>

IMPRINTS CARES
NOTES TO FINANCIAL STATEMENTS

NOTE J: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for the following purposes at June 30:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purposes and/or passage of time:		
Scholarships	\$ 5,748	\$ 5,748
Operations (future periods)	15,000	65,000
Parents as Teachers program	-	47,245
Family, Friend and Neighbor program	293,422	451,961
Pediatric Holistic Health Initiative	570,553	241,374
Book Babies program	<u>100,000</u>	<u>52,667</u>
	<u>\$ 984,723</u>	<u>\$ 863,995</u>

NOTE K: CONCENTRATION OF REVENUE

During the years ended June 30, 2021 and 2020, respectively, approximately 22% and 54% 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 L: 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, 2021 and 2020, the Organization matched up to 3% of employees' annual compensation. The Organization contributed \$31,712 and \$28,150 to this plan during the years ended June 30, 2021 and 2020, respectively.

NOTE M: PRIOR PERIOD ADJUSTMENT

Certain errors resulting in the misstatement of previously reported assets and net assets were discovered during the current year. These errors affected 2020 balances.

An adjustment was made to decrease the grants receivable by \$45,000 as of June 30, 2020 to properly present the balance that should have been reflected in the prior period financial statements. The effect was a decrease of \$45,000 in net assets without donor restrictions as of June 30, 2020. The adjustment resulted in a decrease to previously reported change in net assets for the year ended June 30, 2020 of \$45,000.

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, 2021, 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 March 8, 2022.

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. We did identify the following deficiencies in internal control, that we consider to be significant deficiencies:

FINDING – INTERNAL CONTROLS OVER CASH

During the current year audit, we noted an issue with internal control over cash regarding bank reconciliations. We determined that for approximately the first half of the fiscal year bank reconciliations were being prepared correctly on a consistent basis and were being reviewed by the Executive Director to ensure they were being prepared correctly. However, due to turnover in the accounting department, for the remainder of the year bank reconciliations were not being prepared on a consistent basis and were not always reviewed by management. We recommend that the monthly bank reconciliations be prepared by an employee within the accounting department and reviewed for accuracy by the executive director on a consistent basis. The review should be documented on the bank reconciliation.

MANAGEMENT RESPONSE

Subsequent to year-end, management engaged with a third-party accounting firm to provide assistance to the accounting department. This third-party firm is now preparing the bank reconciliations as well as providing additional accounting assistance. Going forward, management will review the bank reconciliations for accuracy on a consistent basis. The review will be documented on the bank reconciliations.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described below:

FINDING – FINANCIAL STATUS REPORTS NOT FILED TIMELY FOR SMART START GRANT

As a result of our audit procedures, we noted Financial Status Reports (FSRs) for the Smart Start grant were not always submitted in a timely manner. FSRs are supposed to be filed by the 10th of each month for the preceding month. Imprints Cares should take steps to ensure that FSRs are filed timely in order to be in compliance with the grant requirements.

MANAGEMENT RESPONSE

Management agrees with the finding and has implemented procedures to ensure the FSRs are filed in a timely manner. The responsibility for submitting the FSRs was transferred to a different employee who will submit the FSRs in a timely manner as part of their normal duties.

FINDING – ERRONEOUS PERSONNEL DISBURSEMENTS FOR SMART START GRANT

As a result of our audit procedures, we noted that in some instances timesheet allocation percentages did not match the percentages billed to the grant. In some cases, the amount billed was higher and in some cases the amount billed was lower. Timesheets should reflect actual time worked and match percentages billed to the grant. Imprints Cares should take steps to ensure that this requirement is followed on a consistent basis. These billing errors resulted in an overbilling of \$23,222, which was recorded as a payable as of June 30, 2021 and was subsequently repaid to Smart Start.

MANAGEMENT RESPONSE

Management agrees with the finding and has implemented procedures to ensure the timesheet percentages match the percentages billed to the grant. New procedures were developed and enacted to ensure that any changes to personnel expense allocations are properly updated with the Organization's third-party payroll administrator. A review process will be put into place to ensure that any updates to percentages are made timely and accurately.

Imprints Cares' Responses to Findings

Imprints Cares' responses to the findings identified in our audit are described above. We did not audit Imprints Cares' responses and, accordingly, we express no opinion on them.

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
March 8, 2022

IMPRINTS CARES
SCHEDULE OF FEDERAL AWARDS
For the Year Ended June 30, 2021

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Expenditures</u>
U.S. Department of Treasury:		
Pass-through from N.C. Department of Public Instruction - N.C. Alliance of YMCAs and YMCA of the Triangle Area, Inc.		
* N.C. Coronavirus Relief Act 3.0 - Facilitate Remote Learning Opportunities	21.019	\$ 626,504
Pass-through from N.C. Department of Public Instruction and Winston-Salem/Forsyth County Schools		
* ICARES Competitive Grant program - Remote Learning Facilities	21.019	<u>59,691</u>
<u>Total U.S. Department of Treasury</u>		<u>686,195</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 686,195</u>

* 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, 2021

<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>\$ 344,212</u>	<u>\$ 344,212</u>
<u>Total N.C. Department of Health and Human Services:</u>	<u>344,212</u>	<u>344,212</u>
TOTAL NORTH CAROLINA AWARDS	<u><u>\$ 344,212</u></u>	<u><u>\$ 344,212</u></u>

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

IMPRINTS CARES
NOTES TO SCHEDULES OF FEDERAL AND STATE AWARDS

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 North Carolina 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.