



Audited Financial Statements

For the Years Ended June 30, 2023 and 2022

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**Davies, Goldstein
& Associates CPA's PLLC**
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Braveworks:

Opinion

We have audited the accompanying financial statements of Braveworks (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 present fairly, in all material respects, the financial position of Braveworks 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 audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Braveworks and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 Braveworks' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

Handwritten signature of Jones, Goldstein & Associates, CPA's P.C.

Matthews, North Carolina
February 19, 2024

Braveworks
Statements of Financial Position
As of June 30, 2023 and 2022

Assets	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Current Assets		
Cash	\$ 286,468	\$ 209,235
Pledges and Other Receivables (Note 6)	1,076	196,498
Inventory	<u>83,169</u>	<u>65,232</u>
Total Current Assets	<u>370,713</u>	<u>470,965</u>
Right of Use Asset	135,023	174,931
Property and Equipment, net	<u>6,268</u>	<u>9,991</u>
Total Assets	<u>\$ 512,004</u>	<u>\$ 655,887</u>
 Liabilities and Net Assets		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 76,357	\$ 80,547
Notes Payable, Current Portion (Note 6)	<u>5,242</u>	<u>7,692</u>
Total Current Liabilities	<u>81,599</u>	<u>88,239</u>
Lease Obligations, net of current portion	92,864	135,023
Notes Payable, net of Current Portion	189,222	189,403
Total Liabilities	<u>363,685</u>	<u>412,665</u>
Net Assets		
Net Assets Without Donor Restrictions	148,319	243,222
Net Assets With Donor Restrictions	<u>-</u>	<u>-</u>
Total Net Assets	<u>148,319</u>	<u>243,222</u>
Total Liabilities and Net Assets	<u>\$ 512,004</u>	<u>\$ 655,887</u>

The accompanying notes are an integral part of these financial statements

Braveworks
Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2023 and 2022

	2023			2022		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenues and Other Support						
Sale of Artisan Goods	\$ 245,896	\$ -	\$ 245,896	\$ 268,548	\$ -	\$ 268,548
Contributions and Donations	510,037	-	510,037	374,897	-	374,897
Covid-19 Relief Programs (Note 6)	-	-	-	224,665	-	224,665
Other Income	9,933	-	9,933	-	-	-
Total Revenues and Other Support	\$ 765,866	\$ -	\$ 765,866	\$ 868,110	\$ -	\$ 868,110
Expenses						
Program Expenses	647,327	-	647,327	611,794	-	611,794
Management and General Expenses	112,901	-	112,901	77,648	-	77,648
Fundraising Expenses	100,542	-	100,542	69,627	-	69,627
Total Expenses	860,769	-	860,769	759,068	-	759,068
Change in Net Assets	\$ (94,903)	\$ -	\$ (94,903)	\$ 109,042	\$ -	\$ 109,042
Net Assets, Beginning of Year	\$ 243,222	\$ -	\$ 243,222	\$ 134,180	\$ -	\$ 134,180
Change in Net Assets	(94,903)	-	(94,903)	109,042	-	109,042
Net Assets, End of Year	\$ 148,319	\$ -	\$ 148,319	\$ 243,222	\$ -	\$ 243,222

The accompanying notes are an integral part of these financial statements

Braveworks
Statement of Functional Expenses
For the Year Ended June 30, 2023

	Program	Management and General	Fundraising	Total
Compensation	\$ 349,157	\$ 59,612	\$ 17,032	\$ 425,801
Cost of Artisan Goods Sold	150,008	-	-	150,008
Occupancy	40,746	6,957	1,988	49,690
Advertising and Marketing	26,174	-	-	26,174
Development and Fundraising	-	-	80,307	80,307
Other Artisan Expenses	32,644	-	-	32,644
Professional Services	-	16,380	-	16,380
Other General and Administrative	-	11,046	-	11,046
Travel and Conferences	18,965	-	-	18,965
Communications and Technology	18,533	3,164	904	22,601
Insurance	6,382	1,090	311	7,783
Depreciation	3,722	-	-	3,722
Office Expenses	-	5,453	-	5,453
Dues and Subscriptions	996	-	-	996
Interest Expense	-	9,199	-	9,199
Total Functional Expenses	<u>\$ 647,327</u>	<u>\$ 112,901</u>	<u>\$ 100,542</u>	<u>\$ 860,769</u>

Braveworks
Statement of Functional Expenses
For the Year Ended June 30, 2022

	Program	Management and General	Fundraising	Total
Compensation	\$ 304,362	\$ 42,379	\$ 38,527	\$ 385,268
Cost of Artisan Goods Sold	143,440	-	-	143,440
Shop Maintenance	45,201	-	-	45,201
Occupancy	30,970	4,312	3,920	39,203
Advertising and Marketing	33,641	-	-	33,641
Development and Fundraising	-	-	25,526	25,526
Other Artisan Expenses	23,580	-	-	23,580
Professional Services	-	13,758	-	13,758
Other General and Administrative	-	11,901	-	11,901
Travel and Conferences	10,705	-	-	10,705
Communications and Technology	7,917	1,102	1,002	10,022
Insurance	5,145	716	651.30	6,513
Depreciation	5,232	-	-	5,232
Office Expenses	-	3,478	-	3,478
Dues and Subscriptions	1,294	-	-	1,294
Donations to Partner Organizations	306	-	-	306
Total Functional Expenses	\$ 611,794	\$ 77,648	\$ 69,627	\$ 759,068

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

Cash Flows from Operating Activities	2023	2022
Change in Net Assets	\$ (94,903)	\$ 109,042
Covid-19 Relief (Note 6)	-	(188,317)
Depreciation Expense	3,722	5,232
Adjustments to reconcile Change in Net Assets to net cash flows provided by (used in) operating activities:		
Decrease (Increase) in Pledges and Other Receivables	195,422	(7,753)
(Increase) Decrease in Inventory	(17,937)	3,488
(Decrease) Increase in Accounts Payable and Accrued Expenses	(4,190)	1,913
Net Cash Provided by (Used In) Operating Activities	<u>82,114</u>	<u>(76,395)</u>
 Cash Flows from Financing Activities		
(Payments on) Proceeds from Notes Payable	<u>(4,881)</u>	<u>47,836</u>
Net Cash (Used in) Provided by Financing Activities	<u>(4,881)</u>	<u>47,836</u>
 Net Change in Cash	77,233	(28,559)
 Cash, beginning of year	<u>209,235</u>	<u>237,794</u>
Cash, end of year	<u><u>\$ 286,468</u></u>	<u><u>\$ 209,235</u></u>
 Supplemental Data:		
Cash Paid for Interest	<u><u>\$ 9,199</u></u>	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

Braveworks
Notes to the Financial Statements
For the Years Ended June 30, 2023 and 2022

Note 1 - The Organization

Braveworks (formerly Fashion & Compassion and hereafter referred to as the “Organization”) is a nonprofit organization formed in 2013. The Organization’s mission is to empower women and families overcoming trauma and injustice, bridging the gap from pain to purpose through impactful connections, inspired creations, and economic confidence.

The mission of the Organization is funded through sales of jewelry, leather bags, home accessories and other goods as well as donations from private donors, faith partners, corporate donors and foundations. The Organization is based in Charlotte, North Carolina where it maintains a retail storefront, craft-making, inventory and fulfillment facilities, as well as programming and office space.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles in the United States (US GAAP).

The financial statements are presented in accordance with the provisions of ASU 2016-14: *Presentation of Financial statements of Not-for-Profit Entities*. Under the ASU, net assets are to be presented in two categories: net assets with donor restrictions and net assets without donor restrictions. The ASU also contains disclosure requirements related to net assets, liquidity and availability of resources, and functional expenses which were considered in the preparation of these financial statements.

Use of Estimates

The accompanying financial statements have been prepared in accordance with US GAAP, which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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.

Cash

Cash includes cash on deposit at financial institutions and petty cash. Cash balances did not exceed Federal Deposit Insurance Corporation limits as of June 30, 2023 and 2022.

Contributions, Grants and Promises to Give

The Organization recognizes unconditional promises to give as support in the period the promise is received including contributions from private donors and grants. All promises to give are expected to be collected within one year. Management has determined that no allowance for doubtful accounts is necessary at June 30, 2023 and 2022.

Inventory

Inventory is valued at the lower of cost or market value for finished goods and the lower of average cost or market value for raw materials used in jewelry making. The average cost is used for raw materials because the individual items (beads, clasps, wire, etc.) are of low dollar value per unit and tracking at that level is not cost effective. The cost of finished goods is determined using the wholesale cost for purchased items or the allocated cost and labor associated with making the piece. At June 30, 2023 and 2022 management has determined that no allowance for obsolescence is necessary.

Braveworks
Notes to the Financial Statements
For the Years Ended June 30, 2023 and 2022

Note 2 - Summary of Significant Accounting Policies (continued)

Property and Equipment

Tangible assets exceeding \$1,500 are classified as property and equipment. Donated assets are recorded at fair market value if it can be reasonably estimated. Property and equipment are depreciated using the straight-line method over the expected useful life.

Net Assets

Net assets without donor restrictions are comprised of all resources without donor-imposed restrictions at the date of the contribution. Donor restricted contributions that are received and expended in the same year are classified as net assets without donor restrictions. Additionally, net assets without donor restrictions include the total carrying value of all property and equipment used in the Organization.

Net assets with donor restrictions carry restrictions that expire upon the passage of a prescribed period or upon the occurrence of a stated event as specified by the donor. When a donor restriction expires, the net assets are reclassified as net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized and allocated on a functional basis in the accompanying Statement of Functional Expenses. These allocations are based on management's best estimate of time and funds spent across program, management and fundraising activities. The most significant allocations are in compensation and occupancy where management uses its best estimate of time and effort spent by employees in the allocation process. Management revisits the allocation each year and adjusts for changes in roles and employees as necessary.

Donated Items and Services

Contributed services for voluntary donation of services are recognized in the financial statements when those services: (1) create or enhance non-financial assets; or (2) require specialized skills provided by individuals possessing those skills and are services that would be typically purchased if not provided by donation. The Organization records those services as contributions and expenses in the Statement of Activities at their estimated value. There were no in-kind donations recorded in fiscal 2023 and 2022.

In addition, a substantial number of unpaid volunteers, including the Board of Directors, have made significant contributions of their time to provide services to the Organization which do not meet the criteria for recognition described above. The estimated value of their contributed time is not reflected in the financial statements; however, the Organization is heavily reliant on the continued support of volunteers in the community to maintain operations.

Income Taxes

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for income taxes in the accompanying financial statements. The Organization has analyzed tax positions taken for filing with the Internal Revenue Service and the state jurisdiction of North Carolina where it operates. The Organization believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Organization's financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at June 30, 2023. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Braveworks
Notes to the Financial Statements
For the Years Ended June 30, 2023 and 2022

Note 3 – Property and Equipment

Property and equipment consist of the following at June 30,

	<u>2023</u>	<u>2022</u>
Equipment	\$15,538	\$15,538
Software	10,620	10,620
Total	<u>\$26,158</u>	<u>\$26,158</u>
Less: Accumulated Depreciation	<u>(19,890)</u>	<u>(16,167)</u>
Property and Equipment, net	<u>\$6,268</u>	<u>\$9,991</u>

All property and equipment are currently depreciated using a 5-year useful life. Depreciation expense is \$3,723 and \$5,232 for the years ended June 30, 2023 and 2022, respectively.

Note 4 – Commitments

The Organization has various retail credit cards. At June 30, 2022 and 2021, the outstanding balance of \$12,811 and \$17,779 is included in the accompanying Statement of Position in Accounts Payable and Accrued Expenses, respectively. All accounts were current.

Note 5 – Liquidity and Availability of Resources

At June 30, 2023 and 2022, there were no restrictions on financial assets. The financial assets available to meet cash needs for general expenditures within one year represents approximately 2 to 3 months of cash expenditures. The Organization has the ability to repay the SBA loan in full (see Note 6) but is keeping funds available as the borrowing rate (2.75%) is lower than the rate earned on the money market savings account (3.194%). The Organization has a multi-faceted revenue structure that includes the sale of goods, grants, individual donations, and fundraising events. Management believes that the resources available combined with the future receipts will be sufficient to meet operating cash needs in the next year and years to come.

Note 6 – Notes Payable and Covid-19 Relief Programs

In fiscal 2022, the Company filed amended Form 941s to claim the Employee Retention Credit on eligible wages as permitted under the Infrastructure Investment and Jobs Act enacted November 2021. A receivable of \$188,317 and the related COVID-19 relief income is recorded in fiscal 2022. The funds were received in fiscal 2023.

Additionally, the Organization obtained a loan under the EIDL program of \$150,000. This loan is payable over 30 years at 2.75% interest and payments were deferred until May 2022. This loan is secured by the assets of the Organization and may be prepaid without any penalties or fees. In May 2022, the Organization modified the loan to increase the principal to \$200,400. This note is not eligible for forgiveness by the SBA.

Note 7 – Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 19, 2024, the date the financial statements were available to be issued. The Organization has no knowledge of significant subsequent events as of this date other than those previously disclosed.

Braveworks
Notes to the Financial Statements
For the Years Ended June 30, 2023 and 2022

Note 8 – Facility Lease

The Organization leases the boutique storefront, craft-making, inventory and fulfillment facilities, and programming/office space from a related party (the founder of the Organization). The lease runs through 2024 and monthly payments will increase up to \$4,294 per month over the course of the lease. The lease has been determined to be an operating lease by management.

The Organization adopted the lease accounting guidance in Accounting Standards No. 2016-02, Leases (Topic 842) and as such recognized right of use assets and lease obligations related to this lease of \$135,023 and \$174,931 as of December 31, 2023 and 2022, respectively. The Organization used a discount rate of 5.5% to discount the future lease payments.