

VICTORY YOUTH CENTERS, INC.
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020



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**VICTORY YOUTH CENTERS, INC.
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Victory Youth Centers, Inc.
Washington, DC

We have audited the accompanying financial statements of Victory Youth Centers, Inc., which comprise the statements of financial position as of June 30, 2021 and 2020, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
Victory Youth Centers, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Victory Youth Centers, Inc. 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 accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Arlington, Virginia
December 7, 2021

VICTORY YOUTH CENTERS, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
Cash	\$ 8,289	\$ 14,084
Accounts Receivable, Net	135,000	12,000
Property and Equipment, Net (Note 3)	3,064,132	3,232,411
Donated Land Lease, Net (Note 4)	810,224	858,293
Total Assets	\$ 4,017,645	\$ 4,116,788
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 25,291	\$ 18,885
Due to Related Party (Note 2)	117,116	34,473
Deferred Revenue	3,191	3,039
Note Payable (Note 5)	-	30,500
Loan Payable (Note 6)	1,700,000	1,740,000
Total Liabilities	1,845,598	1,826,897
NET ASSETS		
Net Assets Without Donor Restrictions:		
Accumulated Operating Net Deficit	(145,533)	(69,468)
Invested in Property and Equipment	2,174,356	2,350,704
Total Net Assets Without Donor Restrictions	2,028,823	2,281,236
Net Assets With Donor Restrictions (Note 7)	143,224	8,655
Total Net Assets	2,172,047	2,289,891
Total Liabilities and Net Assets	\$ 4,017,645	\$ 4,116,788

See accompanying Notes to Financial Statements.

**VICTORY YOUTH CENTERS, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2021 AND 2020**

	2021	2020
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUE		
Contributions:		
General	\$ 13,047	\$ 13,000
Debt Forgiveness	40,000	40,000
Donated Services	38,000	37,500
Subsidy Income from the Archdiocese	115,000	115,000
PPP Loan Forgiveness	30,500	-
Rent and Other Fees	82,846	95,128
Net Assets Released from Restrictions	20,431	-
Total Revenue	339,824	300,628
EXPENSES		
Program Services	505,312	531,680
Management and General	86,925	91,345
Total Expenses	592,237	623,025
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(252,413)	(322,397)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions and Grants:		
Subsidy Income from the Archdiocese	115,000	-
Grants	40,000	8,655
Net Assets Released from Restrictions	(20,431)	-
Change in Net Assets With Donor Restrictions	134,569	8,655
CHANGE IN NET ASSETS	(117,844)	(313,742)
Net Assets - Beginning of Year	2,289,891	2,603,633
NET ASSETS - END OF YEAR	\$ 2,172,047	\$ 2,289,891

See accompanying Notes to Financial Statements.

VICTORY YOUTH CENTERS, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2021 AND 2020

	2021			2020		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Salaries and Benefits	\$ 91,688	\$ 39,295	\$ 130,983	\$ 98,047	\$ 42,021	\$ 140,068
Supplies	715	307	1,022	1,644	705	2,349
Other Occupancy Costs	13,753	5,894	19,647	12,468	5,368	17,836
Professional Fees	11,933	30,029	41,962	18,932	32,001	50,933
Donated Services	26,600	11,400	38,000	26,250	11,250	37,500
Utilities	51,079	-	51,079	49,595	-	49,595
Insurance, Repairs, and Maintenance	75,732	-	75,732	89,305	-	89,305
Depreciation and Amortization	233,812	-	233,812	235,439	-	235,439
Total Expenses	<u>\$ 505,312</u>	<u>\$ 86,925</u>	<u>\$ 592,237</u>	<u>\$ 531,680</u>	<u>\$ 91,345</u>	<u>\$ 623,025</u>

See accompanying Notes to Financial Statements.

VICTORY YOUTH CENTERS, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (117,844)	\$ (313,742)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	233,812	235,439
Debt Forgiveness	(40,000)	(40,000)
Forgiveness of PPP Loan	(30,500)	-
Decrease in Assets:		
Accounts Receivable, Net	(123,000)	(12,000)
Increase in Liabilities:		
Due to Related Parties	82,643	29,666
Accounts Payable and Accrued Liabilities	6,406	(719)
Deferred Revenue	152	145
Net Cash Provided (Used) by Operating Activities	11,669	(101,211)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(17,464)	-
Net Cash Used by Investing Activities	(17,464)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Borrowings Under Note Payable	-	30,500
Net Cash Provided by Financing Activities	-	30,500
NET CHANGE IN CASH	(5,795)	(70,711)
Cash - Beginning of Year	14,084	84,795
CASH - END OF YEAR	\$ 8,289	\$ 14,084

See accompanying Notes to Financial Statements.

VICTORY YOUTH CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Organization

Victory Youth Centers, Inc. (VYC) was incorporated in 1999 in Maryland with the purpose of building, maintaining, and operating gymnasiums. VYC is affiliated with the Archdiocese of Washington (Archdiocese), which serves the District of Columbia and the Maryland counties of Montgomery, Prince Georges, Calvert, St. Mary's, and Charles. During the years ended June 30, 2021 and 2020, the only activity of VYC was the operation of a gymnasium, the Mary Virginia Merrick (MVM) Center, in the District of Columbia.

(b) Basis of Accounting

The financial statements of VYC have been prepared on the accrual basis of accounting, whereby revenues are recorded when earned and expenses are recorded when incurred.

(c) Basis of Presentation

VYC is required to report 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.

A description of these net asset categories follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that may be met either by actions of VYC and/or the passage of time.

Contributions received are recorded as with donor restrictions or without donor restrictions depending on the existence and/or nature of any donor restrictions.

(d) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 amount of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(e) Contributions

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period received or when the promise is made, if earlier. Contributions of investments are recorded at their fair value at the date of the gift.

VICTORY YOUTH CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Property and Equipment and Donated Land Lease

Property and equipment represent the cost of the building and the furniture and equipment therein. The building costs are being amortized over 30 years which coincides with the term of the ground lease. The building was constructed on land that was donated by the Archdiocese under a 30-year lease with an annual payment of \$1. The contribution element inherent in this below fair market value ground lease was recorded as revenue at the lease inception date. Based on a fair value of \$1,442,074 when the gymnasium was placed in service on May 11, 2008, amortization expense of \$48,069 is recorded as program expense each year of the lease. Under Canon law, all real estate assets are titled to the Archbishop of Washington.

(g) Donated Services

VYC receives donated services from volunteers in carrying out programs and supporting services. The value of these services is not recorded in the financial statements. In addition, the Central Pastoral Administration provides administrative services to VYC. A portion of the services provided for fiscal years 2021 and 2020 is recorded as donated services revenue for the years ended June 30, 2021 and 2020, respectively. See Note 2.

(h) Rental Income

VYC receives rental income from City Gate, Christ Child and other facility users. City Gate and Christ Child are permanent facility users. Rental income is recorded when the money is received, which is when the event takes place and VYC's performance obligation is met.

(i) Functional Allocation of Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting service benefited. For utilities, insurance, repairs and maintenance, and depreciation and amortization, 100% of expenses are directly applied to program services due to minimal administrative functions on the property. For salaries and benefits, supplies, other occupancy costs, donated services, and certain other professional fees, 70% of the expenses are allocated to program services and 30% are allocated to management and general. This allocation is based on time spent by the VYC manager.

VICTORY YOUTH CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Liquidity

VYC structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The following reflects VYC's financial assets as of the dates of the statements of financial position, all of which are available for general use within one year of the statement of financial position:

	2021	2020
Cash	\$ 8,289	\$ 14,084
Accounts Receivable, Net	135,000	12,000
	143,289	26,084
Less: Net Assets With Donor Restrictions	-	-
Total	\$ 143,289	\$ 26,084

(k) Income Tax

VYC is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and did not have any unrelated business income for the years ended June 30, 2021 and 2020. Accordingly, no provision for income taxes has been made.

(l) Subsequent Events

In preparing these financial statements, VYC has evaluated events and transactions for potential recognition or disclosure through December 7, 2021, the date that the financial statements were available to be issued.

NOTE 2 RELATED PARTY TRANSACTIONS

VYC had the following related party transactions during the years ended June 30, 2021 and 2020:

- Incurred and paid \$12,000 in administrative fees for accounting and other services performed by personnel of the Archdiocese in 2021 and 2020. VYC recorded donated services of \$38,000 and \$37,500 for the years ended June 30, 2021 and 2020, respectively, in addition to the aforementioned amount paid for administrative fees.
- Total related party expenses for the years ended June 30, 2021 and 2020 amounted to \$43,555 and \$43,848, respectively, which included the \$12,000 in administrative fees for both years. Amounts that remained payable to the Archdiocese at June 30, 2021 and 2020, totaled \$117,116 and \$34,473, respectively.

VICTORY YOUTH CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 RELATED PARTY TRANSACTIONS (CONTINUED)

- VYC recognized contribution revenue of \$230,000 and \$115,000 from the Archdiocese in 2021 and 2020, respectively. The 2021 amount includes a contribution receivable of \$115,000 as contribution revenue with donor restrictions, to be collected and used for the next fiscal year's operations. At June 30, 2021 and 2020, the amount pledged for the subsequent year's support of \$115,000 and \$0-, respectively, is included in accounts receivable.

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	2021	2020
Building	\$ 5,363,268	\$ 5,363,268
Furniture and Equipment	72,373	54,909
Total	5,435,641	5,418,177
Less: Accumulated Depreciation	(2,371,509)	(2,185,766)
Total Property and Equipment, Net	<u>\$ 3,064,132</u>	<u>\$ 3,232,411</u>

NOTE 4 DONATED LAND LEASE

The donated land lease is as follows at June 30:

	2021	2020
Initial Fair Value of Donated Land Lease	\$ 1,442,074	\$ 1,442,074
Less: Accumulated Amortization	(631,850)	(583,781)
Total Donated Land Lease, Net	<u>\$ 810,224</u>	<u>\$ 858,293</u>

NOTE 5 NOTE PAYABLE

On April 16, 2020, VYC received a loan from United Bank in the amount of \$30,500 to fund payroll and utilities through the Paycheck Protection Program (the PPP Loan). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over twenty-four months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Organization fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. To the extent that all or part of the PPP Loan is not forgiven, the loan will have a maturity date of April 7, 2022.

VICTORY YOUTH CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 5 NOTE PAYABLE (CONTINUED)

On March 10, 2021, the Small Business Administration provided United Bank with funds in the amount of \$30,500 to apply towards VYC's PPP Loan as the loan was forgiven.

The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on VYC's financial position.

NOTE 6 LOAN PAYABLE

On May 24, 2006, VYC entered into a loan agreement with the D.C. Department of Housing and Community Development (DHCD) in the amount of \$2,000,000 for construction expenditures related to the MVM Center. If after five years VYC has complied with all terms of the loan agreement, this loan will be forgiven over a graded scale as follows: 1% from years 6 to 10, 2% for years 11 to 20, 5% for years 21 to 25, and 10% for years 26 to 30. For each year an amount of the loan is forgiven, VYC will recognize the specific amount as grant income.

Should VYC not comply with the terms of the loan agreement, the principal and all accrued but unrecorded contingent interest from the date of the loan agreement shall be due and payable at the rate of 3% per annum. The outstanding loan balance is \$1,700,000 and \$1,740,000 as of June 30, 2021 and 2020, respectively. Although VYC has substantially, but not fully, complied with all requirements outlined in the loan agreement, the lender has not historically and is not expected to enforce these provisions and has confirmed the good standing of VYC. As it is not probable that the accrued interest will be owed at loan maturity, no liability has been recorded for the amount of contingent interest.

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

The following summarizes the nature of the net assets with donor restrictions and the purpose for which such net assets may be used as of June 30:

	2021	2020
Future Time Periods	\$ 115,000	\$ 4,655
Mentoring Program	28,224	4,000
Total Net Assets With Donor Restrictions	<u>\$ 143,224</u>	<u>\$ 8,655</u>

Net assets released from restriction during the year ended June 30, 2021 totaled \$20,431 and were due to satisfaction of purpose restrictions. There were no net assets released from restriction during the year ended June 30, 2020.

VICTORY YOUTH CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 8 OPERATIONS

VYC is not generating sufficient cash flow from operations and is relying heavily on the Archdiocese to continue operations. Management is implementing a strategy to control costs as much as possible. VYC received \$115,000 in support in fiscal year 2021, and is budgeted to receive \$115,000 in support in fiscal year 2022. The Archdiocese continues to support VYC in order to continue operations, and there is no plan for this support to end. Management contracted with a grant writing consultant to assist with obtaining external grants for operating support to allow the facility to continue to provide essential services to the youth of DC's Ward 8.

NOTE 9 CONCENTRATIONS

VYC received a substantial portion of its support from the Archdiocese in 2021 and 2020. During the years ended June 30, 2021 and 2020, approximately 53% and 42% of total revenue, excluding in-kind donations, respectively, was received from the Archdiocese.

NOTE 10 CONTINGENCIES

In March 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to VYC, COVID-19 is still impacting its 2021 operations and financial results. This includes but is not limited to loss or delays of rental fees in the subsequent period. Management believes VYC is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 and the new Delta Variant are unknown and cannot be reasonably estimated as these events are continuously developing.