

**VICTORY YOUTH CENTERS, INC.**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**



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## INDEPENDENT AUDITORS' REPORT

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

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

#### ***Opinion***

We have audited the accompanying financial statements of Victory Youth Centers, Inc., which comprise the statements of financial position as of June 30, 2022 and 2021, 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 Victory Youth Centers, Inc. as of June 30, 2022 and 2021, 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 (GAAS). 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 Victory Youth Centers, Inc. 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 the Organization's ability to continue as a going concern for one year after the date 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 GAAS 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 GAAS, 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 the Organization's 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 the Organization's 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.



**CliftonLarsonAllen LLP**

Arlington, Virginia  
December 19, 2022

**VICTORY YOUTH CENTERS, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2022 AND 2021**

	2022	2021
<b>ASSETS</b>		
Cash	\$ 39,865	\$ 8,289
Accounts Receivable, Net	130,000	135,000
Property and Equipment, Net (Note 3)	2,881,150	3,064,132
Donated Land Lease, Net (Note 4)	762,155	810,224
Total Assets	\$ 3,813,170	\$ 4,017,645
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	\$ 24,792	\$ 25,291
Due to Related Party (Note 2)	245,437	117,116
Deferred Revenue	3,191	3,191
Loan Payable (Note 6)	1,660,000	1,700,000
Total Liabilities	1,933,420	1,845,598
<b>NET ASSETS</b>		
Net Assets Without Donor Restrictions:		
Accumulated Operating Net Deficit	(268,108)	(145,533)
Invested in Property and Equipment	1,983,305	2,174,356
Total Net Assets Without Donor Restrictions	1,715,197	2,028,823
Net Assets With Donor Restrictions (Note 7)	164,553	143,224
Total Net Assets	1,879,750	2,172,047
Total Liabilities and Net Assets	\$ 3,813,170	\$ 4,017,645

See accompanying Notes to Financial Statements.

**VICTORY YOUTH CENTERS, INC.  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2022 AND 2021**

	2022	2021
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
<b>REVENUE</b>		
Contributions:		
General	\$ 12,627	\$ 13,047
Debt Forgiveness	40,000	40,000
Donated Services	35,000	38,000
Subsidy Income from the Archdiocese	-	115,000
PPP Loan Forgiveness	-	30,500
Rent and Other Fees	95,009	82,846
Net Assets Released from Restrictions	28,671	20,431
Total Revenue	211,307	339,824
<b>EXPENSES</b>		
Program Services	545,928	505,312
Management and General	94,005	86,925
Total Expenses	639,933	592,237
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	(428,626)	(252,413)
<b>CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS</b>		
Contributions and Grants:		
Subsidy Income from the Archdiocese	115,000	115,000
Grants	50,000	40,000
Net Assets Released from Restrictions	(28,671)	(20,431)
Change in Net Assets With Donor Restrictions	136,329	134,569
<b>CHANGE IN NET ASSETS</b>	(292,297)	(117,844)
Net Assets - Beginning of Year	2,172,047	2,289,891
<b>NET ASSETS - END OF YEAR</b>	\$ 1,879,750	\$ 2,172,047

See accompanying Notes to Financial Statements.

**VICTORY YOUTH CENTERS, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

	2022			2021		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Salaries and Benefits	\$ 90,175	\$ 38,647	\$ 128,822	\$ 91,688	\$ 39,295	\$ 130,983
Supplies	4,897	2,098	6,995	715	307	1,022
Other Occupancy Costs	12,419	5,323	17,742	13,753	5,894	19,647
Professional Fees	28,238	37,437	65,675	11,933	30,029	41,962
Donated Services	24,500	10,500	35,000	26,600	11,400	38,000
Utilities	48,004	-	48,004	51,079	-	51,079
Insurance, Repairs, and Maintenance	102,218	-	102,218	75,732	-	75,732
Depreciation and Amortization	235,477	-	235,477	233,812	-	233,812
<b>Total Expenses</b>	<b><u>\$ 545,928</u></b>	<b><u>\$ 94,005</u></b>	<b><u>\$ 639,933</u></b>	<b><u>\$ 505,312</u></b>	<b><u>\$ 86,925</u></b>	<b><u>\$ 592,237</u></b>

See accompanying Notes to Financial Statements.

**VICTORY YOUTH CENTERS, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (292,297)	\$ (117,844)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation and Amortization	235,477	233,812
Debt Forgiveness	(40,000)	(40,000)
Forgiveness of PPP Loan	-	(30,500)
Decrease in Assets:		
Accounts Receivable, Net	5,000	(123,000)
Increase in Liabilities:		
Due to Related Parties	128,321	82,643
Accounts Payable and Accrued Liabilities	(499)	6,405
Deferred Revenue	-	152
Net Cash Provided by Operating Activities	36,002	11,668
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Property and Equipment	(4,426)	(17,463)
Net Cash Used by Investing Activities	(4,426)	(17,463)
<b>NET CHANGE IN CASH</b>	31,576	(5,795)
Cash - Beginning of Year	8,289	14,084
<b>CASH - END OF YEAR</b>	\$ 39,865	\$ 8,289

See accompanying Notes to Financial Statements.



**VICTORY YOUTH CENTERS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**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, 2022 and 2021, 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, 2022 AND 2021**

**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**

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by VYC. VYC recognizes in-kind contribution revenue and a corresponding expense in an amount approximating the estimated fair value at the time of the donation. The Central Pastoral Administration provides administrative services to VYC. A portion of the services provided is recorded as donated services revenue for the years ended June 30, 2022 and 2021; see Note 2.

In addition, a substantial number of unpaid volunteers have made significant contributions of time to various programs and supporting services. The value of this contributed time is not reflected in these statements as the services provided do not meet the requirements for financial reporting.

**(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. Both are billed by ADW Finance, and payments are generally received monthly. The other facility users write a check or money order to VYC. Rental income is recorded when the money is received, which approximates 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, 2022 AND 2021**

**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:

	2022	2021
Cash	\$ 39,865	\$ 8,289
Accounts Receivable, Net	130,000	135,000
Subtotal	169,865	143,289
Less: Net Assets With Donor Purpose Restrictions	(49,553)	(28,224)
Total	\$ 120,312	\$ 115,065

**(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, 2022 and 2021. Accordingly, no provision for income taxes has been made.

**(l) Recently Adopted Accounting Pronouncement**

During the year ended June 30, 2022, VYC adopted the requirements of the Financial Accounting Standards Board (FASB) Accounting Standard Update (ASU) No. 2020-07, Not-for-Profit Entities (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires not-for-profits to present contributed nonfinancial assets as a separate line in the statement of activities and provide additional disclosures about contributions of nonfinancial assets. The adoption of this guidance did not have a significant impact on the financial statements.

**(m) Subsequent Events**

In preparing these financial statements, VYC has evaluated events and transactions for potential recognition or disclosure through December 19, 2022, the date that the financial statements were available to be issued.

**VICTORY YOUTH CENTERS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**NOTE 2 RELATED PARTY TRANSACTIONS**

VYC had the following related party transactions during the years ended June 30, 2022 and 2021:

- The Central Pastoral Administration provides administrative services to VYC, which were valued at \$47,000 and \$50,000 for the years ended June 30, 2022 and 2021, respectively. CYO reimbursed the Central Pastoral Administration for these services in the amount of \$12,000 for each of the years ended June 30, 2022 and 2021. In addition, CYO recorded donated services from the Central Pastoral Administration valued at \$35,000 and \$38,000 for the years ended June 30, 2022 and 2021, respectively, equal to the difference between the total value of services provided and the amount reimbursed. Donated services are valued based on an analysis of time spent by individual employees on the administration of VYC. In-kind administrative services benefited supporting services of VYC and are reflected as such in the accompanying statements of functional expenses. There were no donor-imposed restrictions associated with the in-kind contributions.
- Total related party expenses for the years ended June 30, 2022 and 2021 amounted to \$40,341 and \$43,555, respectively, which included the \$12,000 in administrative fees for both years. Amounts that remained payable to the Archdiocese at June 30, 2022 and 2021, totaled \$245,437 and \$117,116, respectively.
- VYC recognized contribution revenue of \$119,000 and \$234,000 from the Archdiocese in 2022 and 2021, 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 both June 30, 2022 and 2021, the amount pledged for the subsequent year's support of \$115,000 is included in accounts receivable.

**NOTE 3 PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at June 30:

	2022	2021
Building and Land Improvements	\$ 5,365,868	\$ 5,363,268
Furniture and Equipment	74,199	72,373
Total	5,440,067	5,435,641
Less: Accumulated Depreciation	(2,558,917)	(2,371,509)
Total Property and Equipment, Net	\$ 2,881,150	\$ 3,064,132

**NOTE 4 DONATED LAND LEASE WITH RELATED PARTY**

The donated land lease is as follows at June 30:

	2022	2021
Initial Fair Value of Donated Land Lease	\$ 1,442,074	\$ 1,442,074
Less: Accumulated Amortization	(679,919)	(631,850)
Total Donated Land Lease, Net	\$ 762,155	\$ 810,224

**VICTORY YOUTH CENTERS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**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) offered by the U.S. Small Business Administration (SBA). The PPP Loan was subject to full forgiveness upon use of the funds for qualifying costs and compliance with certain limitations on payroll and staffing reductions over a 24-week period in accordance with the program. On March 10, 2021, the SBA processed VYC's PPP loan forgiveness application and notified United Bank that the PPP Loan qualified for full forgiveness. Loan proceeds were received by the bank from the SBA on this date. The loan forgiveness was recorded as revenue during the year ended June 30, 2021.

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 \$1,660,000 and \$1,700,000 as of June 30, 2022 and 2021, 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.

**VICTORY YOUTH CENTERS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**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:

	2022	2021
Future Time Periods	\$ 115,000	\$ 115,000
Mentoring Program	49,553	28,224
Total Net Assets With Donor Restrictions	\$ 164,553	\$ 143,224

Net assets released from restriction during the year ended June 30, 2022 totaled \$28,671 and were due to satisfaction of purpose restrictions. Net assets released from restriction totaled \$20,431 during the year ended June 30, 2021 and were due to satisfaction of purpose restrictions.

**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 2022 and is budgeted to receive \$115,000 in support in fiscal year 2023. 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 2022 and 2021. During the years ended June 30, 2022 and 2021, approximately 37% and 53% of total revenue, excluding in-kind donations, respectively, was received from the Archdiocese.

VYC received a substantial portion of its support from two major revenue sources in 2022 and 2021. During the year ended June 30, 2022, approximately 37% and 12% of total revenue, excluding in-kind donations, was received from the Archdiocese and a major rental tenant, respectively. During the year ended June 30, 2021, approximately 53% and 9%, of total revenue, excluding in-kind donations, was received from the Archdiocese and a major donor, respectively.

**NOTE 10 COMMITMENT**

In March 2022, VYC entered into a contract for a roof replacement project, contracting with Virginia Roofing Company for a total project cost of \$200,423, which is to be reimbursed by the Archdiocese. The expected completion date is in the second quarter of fiscal year 2023.

**VICTORY YOUTH CENTERS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**NOTE 11 CONTINGENCIES**

Since 2020, 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 2022 operations and financial results including but not limited to declines in program services and loss of revenues. VYC has collaborated with ADW Development to increase grant submissions in order to mitigate the decline of outside funding. The Young Men of Valor and Excellence (YMOVE) mentoring program continues to make a positive impact and garner interest from funders.