

VICTORY YOUTH CENTERS, INC.
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022



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

Corporate Members and 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, 2023 and 2022, 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, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (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 Victory Youth Centers, Inc.'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 Victory Youth Centers, Inc.'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 Victory Youth Centers, Inc.'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
November 29, 2023

VICTORY YOUTH CENTERS, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
Cash	\$ 53,217	\$ 39,865
Accounts Receivable, Net	125,200	130,000
Property and Equipment, Net (Note 3)	2,905,006	2,881,150
Donated Land Lease, Net (Note 4)	714,086	762,155
Total Assets	\$ 3,797,509	\$ 3,813,170
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 37,359	\$ 24,792
Due to Related Party (Note 2)	420,963	245,437
Deferred Revenue	6,210	3,191
Loan Payable (Note 5)	1,620,000	1,660,000
Total Liabilities	2,084,532	1,933,420
NET ASSETS		
Net Assets Without Donor Restrictions:		
Accumulated Operating Net Deficit	(447,549)	(268,108)
Invested in Property and Equipment	1,999,092	1,983,305
Total Net Assets Without Donor Restrictions	1,551,543	1,715,197
Net Assets With Donor Restrictions (Note 6)	161,434	164,553
Total Net Assets	1,712,977	1,879,750
Total Liabilities and Net Assets	\$ 3,797,509	\$ 3,813,170

See accompanying Notes to Financial Statements.

VICTORY YOUTH CENTERS, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUE		
Contributions:		
General	\$ 24,947	\$ 12,627
Debt Forgiveness	40,000	40,000
Donated Services	38,000	35,000
Rent and Other Fees	104,979	95,009
Net Assets Released from Restrictions	369,262	28,671
Total Revenue	577,188	211,307
EXPENSES		
Program Services	629,236	545,928
Management and General	111,606	94,005
Total Expenses	740,842	639,933
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(163,654)	(428,626)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions and Grants:		
Subsidy Income from the Archdiocese	115,000	115,000
Grants	251,143	50,000
Net Assets Released from Restrictions	(369,262)	(28,671)
Change in Net Assets With Donor Restrictions	(3,119)	136,329
CHANGE IN NET ASSETS	(166,773)	(292,297)
Net Assets - Beginning of Year	1,879,750	2,172,047
NET ASSETS - END OF YEAR	\$ 1,712,977	\$ 1,879,750

See accompanying Notes to Financial Statements.

VICTORY YOUTH CENTERS, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2023 AND 2022

	2023			2022		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Salaries and Benefits	\$ 96,580	\$ 41,390	\$ 137,970	\$ 90,175	\$ 38,647	\$ 128,822
Supplies	7,117	3,050	10,167	4,897	2,098	6,995
Other Occupancy Costs	14,009	6,105	20,114	12,419	5,323	17,742
Professional Fees	39,773	48,851	88,624	28,238	37,437	65,675
Travel	1,890	810	2,700	-	-	-
Donated Services	26,600	11,400	38,000	24,500	10,500	35,000
Utilities	59,026	-	59,026	48,004	-	48,004
Insurance, Repairs, and Maintenance	133,572	-	133,572	102,218	-	102,218
Depreciation and Amortization	250,669	-	250,669	235,477	-	235,477
Total Expenses	<u>\$ 629,236</u>	<u>\$ 111,606</u>	<u>\$ 740,842</u>	<u>\$ 545,928</u>	<u>\$ 94,005</u>	<u>\$ 639,933</u>

See accompanying Notes to Financial Statements.

**VICTORY YOUTH CENTERS, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (166,773)	\$ (292,297)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	250,669	235,477
Debt Forgiveness	(40,000)	(40,000)
Changes in Assets and Liabilities:		
Accounts Receivable, Net	4,800	5,000
Due to Related Parties	175,526	128,321
Accounts Payable and Accrued Liabilities	12,567	(499)
Deferred Revenue	3,019	-
Net Cash Provided by Operating Activities	239,808	36,002
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(226,456)	(4,426)
Net Cash Used by Investing Activities	(226,456)	(4,426)
NET CHANGE IN CASH	13,352	31,576
Cash - Beginning of Year	39,865	8,289
CASH - END OF YEAR	\$ 53,217	\$ 39,865

See accompanying Notes to Financial Statements.

VICTORY YOUTH CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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 multi-use recreational facilities. 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, 2023 and 2022, VYC operations provided youth space for social, athletic, and recreational activities in a supportive and supervised environment held during non-school hours to include gym rentals, childcare, and a Young Men of Valor and Excellence (YMOVE) mentoring program located at 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, 2023 AND 2022

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 of the Archdiocese of Washington (CPA or Archdiocese) provides administrative services to VYC. A portion of the services provided is recorded as donated services revenue for the years ended June 30, 2023 and 2022; 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 Archdiocese 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, 2023 AND 2022

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:

	2023	2022
Cash	\$ 53,217	\$ 39,865
Accounts Receivable, Net	125,200	130,000
Subtotal	178,417	169,865
Less: Net Assets With Donor Purpose Restrictions	(46,434)	(49,553)
Total	\$ 131,983	\$ 120,312

(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, 2023 and 2022. Accordingly, no provision for income taxes has been made.

(l) Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board (FASB) issued the Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The new standard increases transparency and comparability among organizations by requiring the recognition of ROU assets and lease liabilities on the statement of financial position. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The adoption of this guidance did not have a significant impact on VYC's financial statements.

(m) Subsequent Events

In preparing these financial statements, VYC has evaluated events and transactions for potential recognition or disclosure through November 29, 2023, the date that the financial statements were available to be issued.

VICTORY YOUTH CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 RELATED PARTY TRANSACTIONS

VYC had the following related party transactions during the years ended June 30, 2023 and 2022:

- The CPA provides administrative services to VYC, which were valued at \$50,000 and \$47,000 for the years ended June 30, 2023 and 2022, respectively. VYC reimbursed the CPA for these services in the amount of \$12,000 for each of the years ended June 30, 2023 and 2022. In addition, VYC recorded donated services from the CPA valued at \$38,000 and \$35,000 for the years ended June 30, 2023 and 2022, 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, 2023 and 2022 amounted to \$42,809 and \$40,341, respectively, which included the \$12,000 in administrative fees for both years. Amounts that remained payable to the Archdiocese at June 30, 2023 and 2022, totaled \$420,963 and \$245,437, respectively.
- VYC recognized contribution revenue of \$336,143 and \$119,000 from the Archdiocese during the years ended June 30, 2023 and 2022, respectively. At both June 30, 2023 and 2022, 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:

	2023	2022
Building and Land Improvements	\$ 5,567,011	\$ 5,365,868
Furniture and Equipment	99,512	74,199
Total	<u>5,666,523</u>	<u>5,440,067</u>
Less: Accumulated Depreciation	<u>(2,761,517)</u>	<u>(2,558,917)</u>
Total Property and Equipment, Net	<u>\$ 2,905,006</u>	<u>\$ 2,881,150</u>

NOTE 4 DONATED LAND LEASE WITH RELATED PARTY

Donated land lease consists of the following at June 30:

	2023	2022
Initial Fair Value of Donated Land Lease	\$ 1,442,074	\$ 1,442,074
Less: Accumulated Amortization	<u>(727,988)</u>	<u>(679,919)</u>
Total Donated Land Lease, Net	<u>\$ 714,086</u>	<u>\$ 762,155</u>

VICTORY YOUTH CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 5 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 \$1,620,000 and \$1,660,000 as of June 30, 2023 and 2022, 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 6 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:

	<u>2023</u>	<u>2022</u>
Future Time Periods	\$ 115,000	\$ 115,000
Mentoring Program	32,899	49,553
Food Pantry	13,535	-
Total Net Assets With Donor Restrictions	<u>\$ 161,434</u>	<u>\$ 164,553</u>

Net assets released from restrictions consist of:

	<u>2023</u>	<u>2022</u>
Satisfaction of Purpose Restrictions	\$ 254,262	\$ 28,671
Satisfaction of Time Restrictions	115,000	-
Total Net Assets Releases	<u>\$ 369,262</u>	<u>\$ 28,671</u>

NOTE 7 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 2023 and is budgeted to receive \$115,000 in support in fiscal year 2024. 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.

VICTORY YOUTH CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 8 CONCENTRATIONS

VYC received a substantial portion of its support from the Archdiocese in 2023 and 2022. During the years ended June 30, 2023 and 2022, approximately 78% and 37% of total support, excluding in-kind donations, respectively, was received from the Archdiocese.

VYC received a substantial portion of its support from one major revenue source in 2023. During the year ended June 30, 2023, approximately 63% of total revenue, excluding in-kind donations, was received from the Archdiocese.

VYC received a substantial portion of its support from two major revenue sources in 2022. 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.