VICTORY YOUTH CENTERS, INC.

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

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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, 2024 and 2023, 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, 2024 and 2023, 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.

Other Matters

Correction of an Error
As discussed in Note 9 to the financial statements, Victory Youth Centers, Inc. corrected an error related to an understatement in net assets with donor restrictions as of June 30, 2023. The 2023 financial statements were restated accordingly. Our opinion is not modified with respect to this matter.

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

CliftonLarsonAllen LLP

Arlington, Virginia
February 6, 2025

VICTORY YOUTH CENTERS, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2024 AND 2023

	2024	(As Restated) 2023
ASSETS		
Cash	$ 24,913	$ 53,217
Accounts Receivable, Net	115,850	125,200
Property and Equipment, Net (Note 3)	2,711,010	2,905,006
Donated Land Lease, Net (Note 4)	666,017	714,086
Total Assets	$ 3,517,790	$ 3,797,509
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Liabilities	$ 48,566	$ 37,359
Due to Related Party (Note 2)	601,948	420,963
Deferred Revenue	4,167	6,210
Loan Payable (Note 5)	1,580,000	1,620,000
Total Liabilities	2,234,681	2,084,532
NET ASSETS		
Net Assets Without Donor Restrictions (Note 9):		
Accumulated Operating Net Deficit	(650,504)	(447,549)
Invested in Property and Equipment	1,131,010	1,285,006
Total Net Assets Without Donor Restrictions	480,506	837,457
Net Assets With Donor Restrictions (Notes 6 and 9)	802,603	875,520
Total Net Assets	1,283,109	1,712,977
Total Liabilities and Net Assets	$ 3,517,790	$ 3,797,509

See accompanying Notes to Financial Statements.

VICTORY YOUTH CENTERS, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2024 AND 2023

	2024	(As Restated) 2023
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUE		
Contributions:		
General	$ 20,995	$ 24,947
Debt Forgiveness	40,000	40,000
Donated Services	38,000	38,000
Rent and Other Fees	118,328	104,979
Net Assets Released from Restrictions	212,917	417,331
Total Revenue	430,240	625,257
EXPENSES		
Program Services	672,456	629,236
Management and General	114,735	111,606
Total Expenses	787,191	740,842
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(356,951)	(115,585)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions and Grants:		
Subsidy Income from the Archdiocese	115,000	115,000
Grants	25,000	251,143
Net Assets Released from Restrictions	(212,917)	(417,331)
Change in Net Assets With Donor Restrictions	(72,917)	(51,188)
CHANGE IN NET ASSETS	(429,868)	(166,773)
Net Assets - Beginning of Year	1,712,977	1,879,750
NET ASSETS - END OF YEAR	$ 1,283,109	$ 1,712,977

See accompanying Notes to Financial Statements.

VICTORY YOUTH CENTERS, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2024 AND 2023

	2024			2023		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Salaries and Benefits	$ 114,373	$ 49,016	$ 163,389	$ 96,580	$ 41,390	$ 137,970
Supplies	10,618	4,551	15,169	7,117	3,050	10,167
Other Occupancy Costs	17,279	7,405	24,684	14,009	6,105	20,114
Professional Fees	46,180	42,082	88,262	39,773	48,851	88,624
Travel	657	281	938	1,890	810	2,700
Donated Services	26,600	11,400	38,000	26,600	11,400	38,000
Utilities	66,782	-	66,782	59,026	-	59,026
Insurance, Repairs, and Maintenance	131,346	-	131,346	133,572	-	133,572
Depreciation and Amortization	258,621	-	258,621	250,669	-	250,669
Total Expenses	$ 672,456	$ 114,735	$ 787,191	$ 629,236	$ 111,606	$ 740,842

See accompanying Notes to Financial Statements.

VICTORY YOUTH CENTERS, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ (429,868)	$ (166,773)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	258,621	250,669
Debt Forgiveness	(40,000)	(40,000)
Changes in Assets and Liabilities:		
Accounts Receivable, Net	9,350	4,800
Due to Related Parties	180,985	175,526
Accounts Payable and Accrued Liabilities	11,207	12,567
Deferred Revenue	(2,043)	3,019
Net Cash Provided (Used) by Operating Activities	(11,748)	239,808
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(16,556)	(226,456)
Net Cash Used by Investing Activities	(16,556)	(226,456)
NET CHANGE IN CASH	(28,304)	13,352
Cash - Beginning of Year	53,217	39,865
CASH - END OF YEAR	$ 24,913	$ 53,217

See accompanying Notes to Financial Statements.

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, 2024 and 2023, 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.

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, 2024 and 2023; 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 President/CEO.

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:

	2024	2023
Cash	$ 24,913	$ 53,217
Accounts Receivable, Net	115,850	125,200
Subtotal	140,763	178,417
Less: Net Assets With Donor Purpose Restrictions	(21,586)	(46,434)
Total	$ 119,177	$ 131,983

(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, 2024 and 2023. Accordingly, no provision for income taxes has been made.

(l) Recently Adopted Accounting Pronouncement

In 2024, VYC adopted Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses. VYC adopted this new guidance utilizing the modified retrospective transition method. The adoption of this standard did not have a material impact on VYC's financial statements but did change how the allowance for credit losses is determined.

(m) Subsequent Events

In preparing these financial statements, VYC has evaluated events and transactions for potential recognition or disclosure through February 6, 2025, 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, 2024 and 2023:

- The CPA provides administrative services to VYC, which were valued at $50,000 for each of the years ended June 30, 2024 and 2023. VYC reimbursed the CPA for these services in the amount of $12,000 for each of the years ended June 30, 2024 and 2023. In addition, VYC recorded donated services from the CPA valued at $38,000 for the years ended June 30, 2024 and 2023, 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, 2024 and 2023 amounted to $50,731 and $42,809, respectively, which included the $12,000 in administrative fees for both years. Amounts that remained payable to the Archdiocese at June 30, 2024 and 2023, totaled $601,948 and $420,963, respectively.

- VYC recognized contribution revenue of $120,000 and $336,143 from the Archdiocese during the years ended June 30, 2024 and 2023, respectively. At both June 30, 2024 and 2023, 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:

	2024	2023
Building and Land Improvements	$ 5,567,011	$ 5,567,011
Furniture and Equipment	116,068	99,512
Total	5,683,079	5,666,523
Less: Accumulated Depreciation	(2,972,069)	(2,761,517)
Total Property and Equipment, Net	$ 2,711,010	$ 2,905,006

NOTE 4 DONATED LAND LEASE WITH RELATED PARTY

Donated land lease consists of the following at June 30:

	2024	2023
Initial Fair Value of Donated Land Lease	$ 1,442,074	$ 1,442,074
Less: Accumulated Amortization	(776,057)	(727,988)
Total Donated Land Lease, Net	$ 666,017	$ 714,086

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 would 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 recognizes 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 $1,580,000 and $1,620,000 as of June 30, 2024 and 2023, 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:

	2024	(As Restated - see Note 9) 2023
Future Time Periods	$ 781,017	$ 829,086
Mentoring Program	11,676	32,899
Food Pantry	9,910	13,535
Total Net Assets With Donor Restrictions	$ 802,603	$ 875,520

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets released from restrictions consist of:

	2024	(As Restated - see Note 9) 2023
Satisfaction of Time Restrictions	$ 163,069	$ 163,069
Satisfaction of Purpose Restrictions	49,848	254,262
Total Net Assets Releases	$ 212,917	$ 417,331

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 2024 and is budgeted to receive $115,000 in support in fiscal year 2025. 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 8 CONCENTRATIONS

VYC received a substantial portion of its contributions from the Archdiocese in 2024 and 2023. During the years ended June 30, 2024 and 2023, approximately 60% and 78% of total contributions, excluding in-kind donations, respectively, was received from the Archdiocese.

VYC received a substantial portion of its total revenue from two major revenue sources in 2024. During the year ended June 30, 2024, approximately 38% and 15% of total revenue, excluding in-kind donations, was received from the Archdiocese and a major rental tenant, respectively.

VYC received a substantial portion of its total revenue from one 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.

NOTE 9 RESTATEMENT

Management re-evaluated the net assets of VYC and determined that net assets with donor restrictions were understated due to no amount was restricted corresponding to the donated land lease. Reclassifying the net assets without donor restrictions into net assets with donor restrictions resulted in increases in net assets with donor restrictions at each fiscal year-end and in net assets released from donor restrictions for each fiscal year. The net impact over the prior years since inception of the agreement dating back to 2005 had a material impact on the financial statements. The following restatement adjustment has been recorded to properly report the net assets and related accounts:

	As Previously Reported	Restatement in 2023	As Restated
Statement of Financial Position:			
Accumulated Operating Net Deficit	$ (447,549)	$ -	$ (447,549)
Invested in Property and Equipment	1,999,092	(714,086)	1,285,006
Total Net Assets Without Donor Restrictions	1,551,543	(714,086)	837,457
Net Assets With Donor Restrictions	161,434	714,086	875,520
Total Net Assets	$ 1,712,977	$ -	$ 1,712,977
Statement of Activities:			
Net Assets Released from Restrictions	$ (369,262)	$ (48,069)	$ (417,331)