

YOUTH DESIGN CENTER, INC.

Not-for-Profit Organization

FINANCIAL STATEMENTS

With

Independent Accountant's Review Report

Year Ended December 31, 2022

YOUTH DESIGN CENTERS, INC.
TABLE OF CONTENTS

	Pages
INDEPENDENT ACCOUNTANT’S REVIEW REPORT	1
 Financial Statements for the Year Ended December 31, 2022:	
Statement of Financial Position	2
Statement of Activities and Changes in Net Assets	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements.....	6 -12

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of
Youth Design Center, Inc.
Brooklyn, New York

I have reviewed the accompanying financial statements of Youth Design Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statement of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I do not express such an opinion.

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.

Accountant's Responsibility

My responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require me to perform procedures to obtain limited assurance as a basis for reporting whether I am aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. I believe that the results of my procedures provide a reasonable basis for my conclusion.

I am required to be independent of Youth Design Center, Inc. and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements related to my review.

Accountant's Conclusion

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Romain CPA LLC
Brooklyn, New York
October 31, 2023

YOUTH DESIGN CENTER, INC.

STATEMENT OF FINANCIAL POSITION
Year Ended December 31, 2022

ASSETS	
Cash and Cash Equivalents	\$ 1,016,685
Account Receivables	197,799
Prepaid Expenses	9,805
Total Current Assets	<u>1,224,289</u>
Property and Equipment, net	9,781
Security Deposit	12,000
Operating Lease Asset	356,691
Total assets	<u>\$ 1,602,761</u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts Payable	\$ 3,200
Accrued Liabilities	35,441
Deferred Rent	735
Deferred Revenue	315,000
Operating Lease Liability	72,360
Total Current Liabilities	<u>426,736</u>
LONG-TERM LIABILITY	
Operating Lease Liability	<u>284,331</u>
Total Long-Term liability	<u>284,331</u>
Total Liabilities	<u>711,067</u>
NET ASSETS	
With Donor Restrictions	350,000
Without Donor Restrictions	<u>541,694</u>
Total Net Assets	<u>891,694</u>
Total Liabilities and Net Assets	<u>\$ 1,602,761</u>

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

YOUTH DESIGN CENTER, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Operating activities			
REVENUES AND OTHER SUPPORT			
Contribution	\$ 108,973	\$ 64,692	\$ 173,665
Foundations	195,782	-	195,782
Grants	52,500	-	52,500
Program Service Fees	195,061	-	195,061
In-Kind Contributions	5,308	-	5,308
Other Income	18,000	-	18,000
Interest Income	2,608	-	2,608
Net Assets Released from Restrictions	64,692	(64,692)	-
Total Revenues and Support	642,924	-	642,924
EXPENSES			
Program Services	1,025,050	-	1,025,050
Supporting Services:			
Management and General	66,124	-	66,124
Total Support Services	66,124	-	66,124
Total Expenses	1,091,174	-	1,091,174
Change in Net Assets from Operations	(448,250)	-	(448,250)
Net Assets, Beginning of Year	1,013,570	350,000	1,363,570
Prior Period Adjustments	(23,626)	-	(23,626)
Net Assets, End of Year	\$ 541,694	\$ 350,000	\$ 891,694

YOUTH DESIGN CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2022

	<u>Program Service</u>	<u>Mangement and General</u>	<u>Total</u>
Salary, Wages & Taxes	\$ 631,915	\$ 42,990	\$ 674,905
Fringe Benefit	43,427	9,018	52,445
Payroll Service Fee	3,855	428	4,284
	<u>679,197</u>	<u>52,436</u>	<u>731,633</u>
			-
Advertising Expenses	4,146	-	4,146
Bad Debt	9,290	-	9,290
Bank & Merchant Fee	850	836	1,686
Grant	26,521	-	26,521
Insurance	11,753	619	12,372
Occupancy	34,010	3,779	37,789
Office Expense	15,639	6,924	22,563
Professional Fee	184,734	85	184,819
Repair & Maintenance	1,815	-	1,815
Supplies	13,403	-	13,403
Travel & Lodge	10,152	-	10,152
Utilities	1,395	163	1,558
Miscellaneous	-	1,282	1,282
Depreciation & Amortization	32,145	-	32,145
Total Expenses	<u>\$ 1,025,050</u>	<u>\$ 66,124</u>	<u>\$ 1,091,174</u>

YOUTH DESIGN CENTER, INC.

STATEMENT OF CASH FLOWS
Year Ended December 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (448,250)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation of Fixed Assets	32,145
Prior Period Adjustment	(23,626)
Increase (decrease) in assets:	
Accounts Receivable	401,108
Prepaid Expenses	(9,805)
Security Deposit	(12,000)
Operating Lease Asset	(356,691)
Increase (decrease) in liabilities:	
Accounts Payable	(3,950)
Accrued Liability	9,673
Deferred Rent	735
Deferred Revenue	315,000
Operating Lease Liability	356,691
Net Cash Provided by operating activities	<u>261,030</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Acquisition of Fixed Assets & Improvements	<u>23,624</u>
 Net Cash Provided in Investing Activities	<u>23,624</u>
 Net Increase in Cash and Cash Equivalents	284,654
 Cash and Cash Equivalents, Beginning of Year	<u>732,031</u>
 Cash and Cash Equivalents, End of Year	<u><u>\$ 1,016,685</u></u>

YOUTH DESIGN CENTER, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

Note 1. DESCRIPTION OF ORGANIZATION

Youth Design Center, Inc. (YDC) was incorporated in 2016 under the State of New York as a not-for-profit organization pursuant to section 501(c) (3) of the Internal Revenue Code. YDC mission is to reduce the number of disconnected youth in Brownsville by lowering their barriers to entry to the STEAM professions and increasing their relevant experience in the innovation economy. In addition, the organization qualifies for the charitable contribution deduction under section 170(b)(1)(A)(vi) of the Internal Revenue Code.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The organization prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit entities. The significant accounting and reporting policies used by YDC are described subsequently to enhance the usefulness and understandability of the financial statements.

(b) BASIS OF ACCOUNTING

The financial statements of YDC have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles and accordingly reflect all receivables, payables, and other liabilities.

(c) BASIS OF PRESENTATION

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net Assets without donor restrictions are resources, available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

YOUTH DESIGN CENTER, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

(d) CASH AND CASH EQUIVALENTS

Cash balances maintained by the Organization are held at several banks and amounts are insured by the Federal Deposit Insurance Corporation. At times these balances may exceed the federal insurance limits; however, the Organization has not experienced any losses with respect to its bank balances in excess of government-provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances as of December 31, 2022.

(e) CONCENTRATIONS OF CREDIT RISK

The Organization maintains cash balances at several financial institutions located in Brooklyn, New York. The Federal Deposit Insurance Corporation insures accounts at Capital One up to \$250,000. At December 31, 2022, the Organization's uninsured cash balances totaled \$685,084.

(f) REVENUE RECOGNITION

The Organization earns revenue as follows:

Contributions – Contributions are recorded upon receipt or pledge as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Program Service Fees – Program Service Fees are earned from its Hire Our Youth programs. The revenue originating from videos, websites and brand is recognized as it is earned throughout the service period of each respective activity.

Donated assets and/or services – Donated Assets, services and other noncash contributions are recognized as contributions at their fair market values on the date of the donation. These contributions are reflected as additions to unrestricted net assets unless the donor has imposed restrictions on the donated asset for a particular use.

(g) ALLOWANCE FOR DOUBTFUL ACCOUNT

YDC determines whether an allowance for uncollectible receivables should be provided for grants receivable. Such an estimate is based on management's assessment of the aged basis of its receivables, current economic conditions, creditworthiness of its donors, historical experience, and collections subsequent to year-end. As of December 31, 2022, YDC determined an allowance of \$9,290 was necessary for grants receivable.

YOUTH DESIGN CENTER, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

(g) ALLOWANCE FOR DOUBTFUL ACCOUNT (continued)

Receivables	\$207,809
Allowance for Doubtful Accounts	<u>(9,290)</u>
Total	<u>\$197,799</u>

(h) PROPERTY & EQUIPMENT

All acquisitions of property and equipment in excess of \$1000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method.

(i) DEFERRED RENT

Rent expenses are recognized evenly over the life of the lease using the straight-line method. In the earlier years of the lease, as rent expense exceeds the amount paid, a deferred rent liability is created. In later years of the lease, as payments exceed the amount of expense recognized, deferred rent will be reduced until it is zero at the end of the lease.

(j) FUNCTIONAL ALLOCATION EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of functional expenses. Expenses are charged to each program based on direct expenditures. However, certain indirect costs, primarily administrative salaries and related general overhead expenses are allocated to various programs based on time spent on each functional category or program.

(k) USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income, and expenses. Accordingly, actual results could differ from those estimates.

(l) FAIR VALUE MEASUREMENTS

GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Additionally, the inputs used to measure fair value are prioritized based on a three-level hierarchy. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels used to measure fair value are as follows:

YOUTH DESIGN CENTER, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

(l) FAIR VALUE MEASUREMENTS (continued)

Level 1: Quoted prices for identical instruments in active markets.

Level 2: Observable inputs other than quoted prices included in Level 1. Assets and liabilities included in this level are valued using quoted prices for similar assets and liabilities in active markets or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant inputs to the valuation model are unobservable.

Currently, the Organization does not have any assets measured at fair value.

(m) INCOME TAX STATUS

The Financial Accounting Standards Board (FASB) issued FASB ASC 740-10 which requires entities to disclose in their financial statements the nature of any uncertainty in their tax position. For tax-exempt entities, their tax-exempt status itself is deemed to be an uncertainty, since events could occur to jeopardize their tax-exempt status. However, the YDC has no knowledge of events or circumstances that would jeopardize its tax-exempt status.

(n) ADOPTION OF NEW ACCOUNTING STANDARDS

On September 17, 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-07 that increases transparency around contributed nonfinancial assets (also known as “gifts-in-kind” received by not-for-profit organizations – including transparency on how those assets are used and how they are valued. YDC adopted ASU 2020-07 during the year ended December 31, 2022, and the adoption had no impact on the change in net assets for the year that ended.

Note 3. RECEIVABLES

The accounts receivable balance for the year represents program service fees and pledges receivable in the total amount of \$197,799 as of December 31, 2022, net of bad debt expense.

The following is an analysis of receivables as of December 31, 2022:

Pledges receivable with donor restriction	\$175,000
Program service fees	32,089
Bad Debt Expense	<u>(9,290)</u>
Total	<u>\$197,799</u>

YOUTH DESIGN CENTER, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

Note 4. DONATED ASSETS

In 2022, the organization received a donation of Apple equipment, which was recognized as both a \$5,308 in-kind contribution credit and a corresponding \$5,308 debit to equipment expenses.

Note 5. PROPERTY & EQUIPMENT

Equipment and leasehold Improvements on December 31st are summarized as follows:

	<u>2022</u>
PROPERTY AND EQUIPMENT	
Donated Software	158,400
Leasehold Improvement	7,575
Machinery & Equipment	<u>81,123</u>
Total property and equipment	<u>247,098</u>
LESS ACCUMULATED DEPRECIATION & AMORTIZATION	
Accum donated software	(158,400)
Accum leasehold improvement	(7,575)
Accum M&E	<u>(71,343)</u>
Accumulated Depr & Amortization	<u>(237,318)</u>
NET PROPERTY AND EQUIPMENT	<u>\$ 9,781</u>

Note 6. SECURITY DEPOSIT

The security deposits amount to \$12,000 and pertain to a 5-year lease agreement with Brownsville Linden Plaza LLC, scheduled to conclude on September 30, 2027.

Note 7. PREPAID EXPENSES

Prepaid expenses consist of the following as of December 31, 2022:

Adobe subscriptions	\$6,575
Insurance	<u>3,230</u>
	<u>\$9,805</u>

YOUTH DESIGN CENTER, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

Note 8. OPERATING LEASE COMMITMENTS

YDC entered into a 5-year lease agreement with Brownsville Linden Plaza LLC, which commenced on October 1, 2022, and is set to conclude on September 30, 2027, with the option to extend it for an additional 5 years. The Operating Lease Asset is \$356,691 and the Operating Lease Liability is \$356,691 as of December 31, 2022. The remaining lease payments are as follows:

2023	\$	72,360
2024		73,807
2025		75,283
2026		76,789
2027		58,451
	\$	<u>356,691</u>

Rent expense for the year ended December 31, 2022, was \$18,000.

Note 9. ACCOUNTS PAYABLE & ACCRUED EXPENSES

At the present time, the organization has outstanding accounts payable and accrued liabilities of \$38,642 as of December 31, 2022.

Note 10. Net Assets with Donor Restrictions

Net assets with donor's restrictions consist of resources available to meet future obligations, but only in compliance with the restrictions specified by donors. As of December 31, 2022, net assets with donor restriction are restricted to the Creative Apprenticeship Program (CAP) in the amount of \$350,00 from Red Nose Day Fund Comic.

			Released from	
	1/1/2022	Additions	Restrictions	12/31/2022
\$	350,000	\$ 350,000	\$ 315,000	\$ 350,000
	-	29,692	(379,692)	-
\$	<u>350,000</u>	<u>\$ 379,692</u>	<u>\$ (64,692)</u>	<u>\$ 350,000</u>

Note 11. Concentration of Revenue

During the year ended December 31, 2022, the Organization received approximately 45% of its revenue from one donor.

YOUTH DESIGN CENTER, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

Note 12. LIQUIDITY

The organization manages its liquidity by planning program services in accordance with the funds received. The following represent the organization's financial assets as of December 31, 2022:

Cash and Cash equivalents	\$1,016,685
Grants Receivable – Note 3	197,799
Less: Net Asset with Donor restrictions	<u>(350,000)</u>
Financial assets available to meet general Expenses over the next twelve months	<u>\$ 864,484</u>

Note 13. PRIOR PERIOD ADJUSTMENTS

Net assets as of the beginning of the fiscal year have been adjusted to decrease net assets for adjustments to balances not previously recognized in prior years. The correction has no effect on the results of the current year's activities; however, the cumulative effect decreased net assets by \$23,626.

Note 14. SUBSEQUENT EVENTS

YDC has reviewed for subsequent events through October 31, 2023, the date the financial statements were available to be issued. No subsequent events were identified.