YOUTH DESIGN CENTER, INC.

Financial Statements

(Together with Independent Auditors' Report)

Year Ended December 31, 2021

YOUTH DESIGN CENTER, INC.

FINANCIAL STATEMENTS

(Together with Independent Auditor's Report)

FOR THE YEAR ENDED DECEMBER 31, 2021

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Desire & Company CPAs, PLLC
Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Youth Design Center, Inc.

Opinion

We have audited the accompanying financial statements of Youth Design Center, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year 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 the Organization as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 within one year after the date that the financial statements are available to be issued.

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Auditor's 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 auditor's 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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 audits.

Desire + Company CPAs

New York, New York
February 20, 2023

YOUTH DESIGN CENTER, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021

ASSETS		
Cash	$	732,031
Receivables (Note 2C)		598,906
Property and equipment, net (Note 2D and 3)		65,551
TOTAL ASSETS	$	1,396,488
LIABILITIES		
Accounts payable and accrued expenses	$	7,150
Accrued payroll and vacation		25,768
TOTAL LIABILITIES		32,918
COMMITMENTS AND CONTINGENCIES (Note 7)		
NET ASSETS		
Net assets without donor restrictions (Note 2E)		1,013,570
Net assets wit donor Restrictions (Notes 2E and 5)		350,000
TOTAL NET ASSETS		1,363,570
TOTAL LIABILITIES AND NET ASSETS	$	1,396,488

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

YOUTH DESIGN CENTER, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTALS
REVENUES AND SUPPORT:			
Contributions (Note 2F)	$ 681,491	$ 350,000	$ 1,031,491
Government grants	29,500	-	29,500
Donated assets (Note 2G)	193,838	-	193,838
Fee for service	81,070	-	81,070
Forgiveness of debt (Note 4)	35,700	-	35,700
Other income	2,330	-	2,330
Interest income	2,343	-	2,343
Net assets released from restrictions (Note 5)	539,707	(539,707)	-
TOTAL REVENUES AND SUPPORT	1,565,979	(189,707)	1,376,272
EXPENSES:			
Program Services:			
Creative and innovation programs	787,257	-	787,257
Total Program Services	787,257	-	787,257
Supporting Services:			
Management and general	57,169	-	57,169
Total Supporting Services	57,169	-	57,169
TOTAL EXPENSES	844,426	-	844,426
CHANGE IN NET ASSETS	721,553	(189,707)	531,846
NET ASSETS, Beginning of Year	292,017	539,707	831,724
NET ASSETS, End of Year	$ 1,013,570	$ 350,000	$ 1,363,570

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

YOUTH DESIGN CENTETR, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	PROGRAM SERVICES	SUPPORTING SERVICES	
	CREATIVE AND INNOVATION PROGRAMS	MANAGEMENT AND GENERAL	TOTAL
Salaries	$ 291,447	$ 32,383	$ 323,830
Fringes	77,040	8,560	85,600
Total salaries and related costs	368,487	40,943	409,430
Professional fees	114,382	3,000	117,382
Advertising	10,896	-	10,896
Occupancy	29,151	3,239	32,390
Repairs and maintenance	24,479	2,720	27,199
Insurance	14,655	260	14,915
Supplies	15,985	54	16,039
Printing	361	-	361
Service charges	-	3,241	3,241
Travel	6,287	-	6,287
Utilities	4,474	497	4,971
Bad debts expense	-	3,215	3,215
Miscellaneous	8,883	-	8,883
Depreciation and amortization	189,217	-	189,217
TOTAL	$ 787,257	$ 57,169	$ 844,426

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

YOUTH DESIGN CENTETR, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:	
CHANGE IN NET ASSETS	$ 531,846
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Depreciation and amortization	189,217
Donated assets	(193,838)
Forgiveness of debt	(35,700)
Changes in operating assets and liabilities:	
Receivables	(297,514)
Security deposits	2,479
Accounts payable and accrued expenses	2,491
Accrued payroll and vacation	9,120
Net cash provided by operating activities	208,101
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(24,168)
Net cash used by investing activities	(24,168)
NET INCREASE IN CASH	183,933
CASH, beginning of year	548,098
CASH, end of year	$ 732,031

NOTE 1 - ORGANIZATION AND PURPOSE

Youth Design Center, Inc. (the "Organization") located in Brooklyn, New York, is a not-for-profit organization that was established in 2016. The primary purpose of the Organization 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. The Organizations main source of revenue are government contracts, non-government grants, individual donors and contributions, special events,

Youth Design Center, Inc. has been determined by the Internal Revenue Services to be exempt from federal income taxes under section 501 (c)(3) of the Internal Revenue Code and from state and local taxes under comparable laws.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) **Basis of Accounting -** The accompanying financial statements are prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

B) **Use of Estimates –** The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions the affect the reporting amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

C) **Receivable** – Receivables are stated at the amount management expects to collect from outstanding balances. Management closely monitors outstanding accounts receivable and annually charges to expense and any balances that are determined to be uncollected or establishes an allowance for doubtful accounts. There was no allowance for doubtful accounts for accounts receivable at December 31, 2021. Bad debt expense for the year ended December 31, 2021 was $3,215.

D) **Property and Equipment** – Property and equipment are recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets (5- 40 years). When property and equipment are sold or otherwise disposed of, the asset and related accumulated depreciation accounts are relieved, and any resulting gain or loss is included in operations. The Organization capitalizes property and equipment with $1,000 or more and a useful life of greater than one year. Repairs and maintenance are charged to expense when incurred.

E) **Financial Statement Presentation -** The Organization reports its financial position and operating activities according to two classes of net assets. These classifications are defined as follows:

Net assets without donor restrictions represent resources available to support the Organization's operation over which the Board of Directors has discretionary control.

Net assets with donor restrictions – represents net assets subject to donor-imposed stipulations, including stipulations that will be met either by actions of the Organization or the passage of time, stipulations that they be maintained intact in perpetuity by the Organization.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F) Revenues and Support –The principal activities of the Organization are funded through contributions. Contributions are generally non-exchange transactions and accounted for under Accounting Standards Update ("ASU") 2018-08 "Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made" (Topic 958).

Contributions are recognized as revenue when barriers within the agreements are overcome, and there is no right of return. Once the barriers are overcome, the Organization determines if there are any donor-imposed restrictions (e.g., for a specific purpose or period of time). The contribution is then recognized as unconditional and classified as either net assets with donor restrictions or net assets without donor restrictions (see Note 2E). Once the restrictions are met, the contribution is then transferred to net assets without donor restrictions. Contributions (including government grants) amounted to $1,055,991 for the year ended December 31, 2021, and are included in the statement of activities.

Conditional contributions received (contribution with donor-imposed condition) are accounted for as deferred revenues or are unrecognized initially until barriers to entitlement are overcome. The donor-imposed condition represents a barrier that must be overcome before the Organization is entitled to the revenue. Failure to overcome the barrier gives the contributor a right of return of the revenue it has transferred or gives the promisor a right of release from its obligations to make a contribution.

Unconditional promises to give (without barriers) are recorded as revenues when pledged. All contributions are available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

Fee For Service **-** The Organization earns revenue in connection with various community outreach programs. Revenue recognized from these various programs is earned over the service period of the respective activity.

G) Donated assets – Donated assets and other noncash donations are recorded as contributions at their fair values at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained. The Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. For the year ended December 31, 2021 donated assets recognized in the financial totaled $193,838. Donated assets consist of donated software of $158,40 and equipment of $35,438.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H) **Functional Allocation of Expenses** - The costs of providing the Organization's various programs have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited as determined by management. Expenses that can be identified with a specific program are charged directly to the particular program. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The allocated expenses include rent, repairs and maintenance, salaries, benefits, payroll taxes, and others which are allocated based on time spent in each functional category or program.

I) **Tax Status -** The Organization is not aware of any uncertain tax positions as of December 31, 2021, in accordance with Accounting Standards Codification ("ASC") Topic 740, "Income Taxes," which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

J) **Adoption of New Accounting Pronouncements** – In February 2016, FASB issued ASU 2016-02, Leases (Topic 842). ASU 2016-02 will require that a lessee recognize assets and liabilities on the statement of financial position for all leases with a lease term of more than twelve months, with the result being the recognition of a right of use asset and a leased liability. Recognition and presentation of expenses will depend on the classification of the lease as either financing or operating. ASU 2016-02 will also require quantitative and qualitative disclosures to supplement the amounts recorded in the financial statements to afford better understanding of an organization’s leasing activities. ASU 2016-02, as amended by ASU 2020-05 is effective for fiscal years beginning after December 15, 2021, with early adoption permitted and is to be applied retrospectively. The Organization is currently evaluating the effect that ASU 2016-02 will have on its financial statements and related disclosures.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2021:

Machinery and equipment	$ 274,962
Leasehold improvements	7,575
Sub-Total	282,537
Less: accumulated depreciation and amortization	(216,986)
Totals	$ 65,551

Depreciation and amortization expense for the year ended December 31, 2021 was $189,217.

NOTE 4 – LOAN PAYABLE

In June 2020, the Organization received a $35,700 loan from a financial institution under the Paycheck Protection Program ("PPP"), established by the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") administered by the Small Business Administration ("SBA") with support from the Department of the Treasury. Under the terms of the CARES Act and the PPP, the Organization can apply for and be granted forgiveness for all or a portion of the loan issued to the extent the proceeds are used in accordance with the PPP. On June 28, 2021, the Organization's PPP loan was forgiven for $35,700. The result of the forgiveness is included in the statement of activities.

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2021 are as follows:

	January 1, 2021	Additions	Released from Restrictions	December 31, 2021
Program restrictions	$ 12,500	$ 350,000	$ 12,500	$ 350,000
Time restrictions	527,057	-	527,057	-
Totals	$ 539,707	$ 350,000	$ 539,707	$ 350,000

NOTE 6 – CONCENTRATIONS

Financial instruments that potentially subject the Organization to a concentration of credit risk include cash accounts with a bank. Cash is maintained at a level to meet anticipated operating cash needs and is maintained in Federal Deposit Insurance Corporation ("FDIC") insured accounts at credit qualified financial institutions.

During the fiscal year ended December 31, 2021, the Organization had cash accounts that, from time to time, could have exceeded the FDIC insurance limits. Management believes that these financial institutions have strong credit ratings and that credit risk to these accounts is minimal.

A substantial portion of the Organization's support is currently derived from contributions from corporations, foundations, and individuals. A significant reduction in the level of these supports, if this were to occur, may have an adverse effect on the Organization's program and activities.

NOTE 7 – COMMITMENTS AND CONTINGENCIES

A) In May 2018, the Organization entered into a lease for office space in Brooklyn, New York under a three-year, noncancellable lease. The lease requires annual payments of $29,750 and had an expiration date of April 2021. Rent expense for the year ended December 31, 2021, was $32,390. The lease was extended through December 2021 with the same payment terms. During September 2021 the Organization terminated the lease.

B) The contractual agreements with various funding sources include provisions for claims and program audits in subsequent years. These audits may result in disallowance and repayment of costs previously reimbursed by the funding sources. Management estimates potential disallowances based on past experiences. Management has not established a contingency reserve to cover the cost of future disallowances, if any, in the accompanying statements of financial position.

C) The organization receives a substantial portion of its revenue from contributions. For the year ended December 31, 2021, approximately 75% of its revenue was derived from contributions.

NOTE 8 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Organization has various sources of liquidity at its disposal, including cash and receivables. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing program activities as well as the supporting services to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization anticipates collecting sufficient revenue to cover general expenditures not covered by restricted resources. Refer to the statement of cash flows which identifies the sources and uses the Organization's cash.

Financial assets available for general expenditures that are without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following:

Cash	$ 732,032
Receivables	598,906
Less: net assets with donor restrictions	(350,000)
Total	$ 980,937

NOTE 9 – COVID - 19 PANDEMIC

In March 2020, the World Health Organization ("WHO") declared the coronavirus (COVID 19) a global pandemic and public health emergency. The WHO has recommended containment and mitigation measures worldwide and domestically, self-isolation and shelter-in-place requirements have been or are being put in place.

At this point, the Organization cannot reasonably estimate the length or severity of this pandemic or the extent to which this disruption may impact the Organization's financial statements and future results of operations. The Organization will continue to monitor and evaluate the nature and extent of the impact on our ongoing activities and the potential effect on future contributions or funding and expenses, financial condition, and liquidity.

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events and transactions that occurred subsequent to the date of the statements of financial position through February 20, 2023, the date the financial statements were available to be issued. During this period, there were no material subsequent events requiring disclosure.