



YOUTH DESIGN CENTER, INC.

Financial Statements

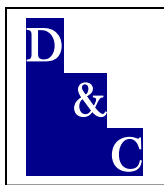
(Together with Independent Auditors' Report)

Year Ended December 31, 2020

YOUTH DESIGN CENTER, INC.
FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)
FOR THE YEAR ENDED DECEMBER 31, 2020

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Desire & Company CPAs, PLLC

Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statement of Youth Design Center, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

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, 2020, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 2 to the financial statements, Youth Design Center, Inc. adopted Financial Accounting Standards Board ("FASB") Accounting Standards Updates ("ASU") No. 2014-09 and No. 2018-08. Our opinion is not modified with respect to this matter.

A handwritten signature in blue ink that reads "Desire & Company CPAs". The signature is written in a cursive, flowing style.

New York, New York
March 22, 2022

Desire & Company CPAs
Certified Public Accountants & Consultants

**YOUTH DESIGN CENTER, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020**

ASSETS

Cash	\$ 548,098
Receivables	301,392
Security deposits	2,479
Property and equipment, net (Note 3)	36,762
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TOTAL ASSETS	\$ 888,731
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LIABILITIES

Accounts payable and accrued expenses	\$ 4,659
Accrued payroll and vacation	16,647
Loan payable	35,700
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TOTAL LIABILITIES	57,006
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COMMITMENTS AND CONTINGENCIES (Note 7)

NET ASSETS

Net assets without donor restrictions (Note 2F)	292,018
Net assets with donor restrictions (Note 2F and 5)	539,707
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TOTAL NET ASSETS	831,725
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TOTAL LIABILITIES AND NET ASSETS	\$ 888,731
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The accompanying notes are an integral part of these consolidated financial statements.

**YOUTH DESIGN CENTER, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTALS</u>
REVENUES AND SUPPORT:			
Contributions	\$ 192,217	\$ 781,307	\$ 973,524
Government grants	14,000	-	14,000
In-Kind contributions	52,800	-	52,800
Fee for service	171,383	-	171,383
Other income	2,250	-	2,250
Interest income	2,611	-	2,611
Net assets released from restrictions	241,600	(241,600)	-
TOTAL REVENUES AND SUPPORT	<u>676,861</u>	<u>539,707</u>	<u>1,216,568</u>
EXPENSES:			
Program Services:			
Creative and innovation programs	451,941	-	451,941
Total Program Services	<u>451,941</u>	<u>-</u>	<u>451,941</u>
Supporting Services:			
Management and general	56,937	-	56,937
Total Supporting Services	<u>56,937</u>	<u>-</u>	<u>56,937</u>
TOTAL EXPENSES	<u>508,878</u>	<u>-</u>	<u>508,878</u>
CHANGE IN NET ASSETS	167,983	539,707	707,690
NET ASSETS, Beginning of Year	<u>124,035</u>	<u>-</u>	<u>124,035</u>
NET ASSETS, End of Year	<u>\$ 292,018</u>	<u>\$ 539,707</u>	<u>\$ 831,725</u>

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

**YOUTH DESIGN CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>PROGRAM SERVICES</u>	<u>SUPPORTING SERVICES</u>	
	<u>CREATIVE AND INNOVATION PROGRAMS</u>	<u>MANAGEMENT AND GENERAL</u>	<u>TOTAL</u>
Salaries	\$ 160,123	\$ 17,792	\$ 177,915
Fringes	59,896	6,655	66,551
Total salaries and related costs	220,019	24,447	244,466
Professional fees	75,122	3,000	78,122
Advertising	10,539	-	10,539
Occupancy	26,776	2,975	29,751
Repairs and maintenance	5,889	654	6,543
Insurance	9,877	260	10,137
Equipment	18,997	-	18,997
In-Kind donation	52,800	-	52,800
Office	17,160	192	17,352
Printing	2,757	-	2,757
Service charges	-	3,605	3,605
Travel	3,419	-	3,419
Utilities	2,317	258	2,575
Miscellaneous	6,269	-	6,269
Depreciation and amortization	-	21,546	21,546
TOTAL EXPENSES	\$ 451,941	\$ 56,937	\$ 508,878

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

**YOUTH DESIGN CENTER, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020**

CASH FLOWS FROM OPERATING ACTIVITIES:

CHANGE IN NET ASSETS	\$ 707,690
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Depreciation and amortization	21,546
Changes in operating assets and liabilities:	
Receivables	(284,245)
Accounts payable and accrued expenses	145
Accrued payroll and vacation	16,647
Net cash provided by operating activities	<u>461,783</u>

CASH FLOWS INVESTING ACTIVITIES

Purchase of property and equipment	(42,079)
Net cash used by investing activities	<u>(42,079)</u>

CASH FLOWS FINANCING ACTIVITIES

Proceed from loan payable	35,700
Net cash provided by financing activities	<u>35,700</u>

NET INCREASE IN CASH 455,404

CASH, beginning of year 92,694

CASH, end of year \$ 548,098

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

YOUTH DESIGN CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 - ORGANIZATION AND MISSION

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, 2020. There was no bad debt expense for the year ended.
- 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.

YOUTH DESIGN CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- F) Government Grants** – Support funded by government grants are recorded when the Organization meets the conditions prescribed by the contract, performs the contracted services or incurs outlays eligible for reimbursement under the contracts. To the extent amounts received exceed amounts spent, the Organization established advances from government funders. As the conditions are met, the organization simultaneously releases the government grants, and they are reflected as without donor restrictions. Contracted activities and outlays are subject to audit and acceptance by the funding agency and, as a result of such audits, adjustments could be required.
- G) 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.
- H) Contributions** - Contributions received are classified depending on the existence or nature of any donor restrictions. Support restricted by the donor is reported as an increase in net assets without donor restrictions if the restrictions expire during the reporting period in which it was received. All other donor-restricted support is reported as an increase in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Contributions, including unconditional promises to give, are recorded when received. 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.

- I) In-Kind Donations** – Contributions of donated items are reported as revenue and expenses at their fair value at the time of receipt and are reported as without donor restrictions support unless explicit donor stipulations specify how donated assets must be used. As of December 31, 2020, In-kind donations were \$52,800.
- J) 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.
- K) Tax Status** - The Organization is not aware of any uncertain tax positions as of December 31, 2020, 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.

YOUTH DESIGN CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L) New Accounting Pronouncements:

Adoption of ASU No. 2014-09 (Topic 606): Revenue from Contracts with Customers

Effective January 1, 2020, the Organization adopted the provisions of Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers* (“ASU 2014-09”) using a modified retrospective method of adoption to all contracts with customers at January 1, 2020. ASU 2014-09 requires the Organization to recognize revenue to depict the provision of fee for service to which the Organization expects to be entitled in exchange for those services. The amount to which the Organization expects to be entitled is calculated as the transaction price and recorded as revenue in exchange for providing the services. Because contracts are generally complete within one year, the Organization used the actual transaction price rather than estimating variable consideration amounts for contracts completed during the year ended December 31, 2020.

Adoption of ASU No. 2018-08 - Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made

Effective January 1, 2020, the Organization adopted the provisions of FASB ASU No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (“ASU 2018-08”) on a modified prospective basis. This ASU provides for guidance to assist the Organization in evaluating the transfer of assets and the nature of the related transactions. The Organization considers whether a contribution is conditional based on whether an agreement includes a barrier that must be overcome and a right of return of assets transferred or a right of release of a promisor’s obligation to transfer assets. The presence of both indicates that the recipient is not entitled to the transferred assets or a future transfer of assets until it has overcome any barriers in the agreement.

The adoption of these ASUs resulted in changes to the related disclosures in the notes to the financial statements.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment, net consists of the following:

Machinery and equipment	\$ 56,955
Leasehold improvements	<u>7,575</u>
	64,530
Less: Accumulated depreciation and amortization	<u>27,768</u>
	<u>\$ 36,762</u>

Depreciation and amortization expense for the year ended December 31, 2020, was \$21,546.

**YOUTH DESIGN CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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. Subsequent to year-end, in June 2021, the Organization applied for and was granted forgiveness for the full amount. As a result, the amount will be recorded as income in the statement of activities for the year ending December 31, 2021.

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2020 is as follows:

	January 1, 2020			December 31, 2020	
	Balance	Additions	Releases	Balance	
Program restrictions	\$ -	\$ 254,250	\$ (241,600)	\$ 12,650	
Time restrictions	-	527,057	-	527,057	
	<u>\$ -</u>	<u>\$ 781,307</u>	<u>\$ (241,600)</u>	<u>\$ 539,707</u>	

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, 2020, 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.

YOUTH DESIGN CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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, 2020 was \$29,751. 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, 2020, approximately 80% of its revenue was derived from contributions.

NOTE 8 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Organization's financial assets as of December 31, 2020 reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. The organization has various sources of liquidity at its disposal, including cash and receivables.

Cash	\$ 548,098
Receivables	301,392
Less: net assets with donor restrictions	<u>(539,707)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 309,783</u></u>

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 March 22, 2022, the date the financial statements were available to be issued. During this period, there were no material subsequent events requiring disclosure, except as described in Notes 4.