

THE VICTORY CENTER, INC.
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021



CERTIFIED PUBLIC ACCOUNTANTS

**THE VICTORY CENTER, INC.
YEARS ENDED JUNE 30, 2022 AND 2021**

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SHARFF, WITTMER, KURTZ,
JACKSON & DIAZ
P.A.
CERTIFIED PUBLIC ACCOUNTANTS

DAVID D. SHARFF, C.P.A. - DECEASED
STEVEN C. WITTMER, C.P.A. - DECEASED
JOSEPH M. KURTZ, C.P.A. - RETIRED
MICHAEL L. JACKSON, C.P.A. - RETIRED
MARTIN ROSEN, C.P.A. - RETIRED

LUIS E. DIAZ, C.P.A.
JOSEPH M. JACKSON, C.P.A.
AMY K. BEENKEN, C.P.A.
LAURA S. FEINBERG, C.P.A.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Victory Center, Inc
North Miami Beach, FL 33180

We have audited the accompanying financial statements of The Victory Center, Inc. ("the Center"), which comprise the statement of financial position as of June 30, 2022 and 2021, and the related statements 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of June 30, 2022 and 2021, 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. 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 Victory Center, 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 Center, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 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 Center'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 Center'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.

Sharff, Wittmer, Kurtz, Jackson & Diaz, P.A.

SHARFF, WITTMER, KURTZ, JACKSON & DIAZ, P.A.
Certified Public Accountants

Coral Gables, Florida
November 15, 2022



CERTIFIED PUBLIC ACCOUNTANTS

THE VICTORY CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 859,291	\$ 734,245
Restricted cash	90,064	92,238
Accounts receivable	71	5,756
Employee tax credit receivable	66,046	-
Prepaid expenses and other assets	31,446	25,984
TOTAL CURRENT ASSETS	<u>1,046,918</u>	<u>858,223</u>
Fixed asset, net	<u>3,006,249</u>	<u>3,080,243</u>
TOTAL ASSETS	<u><u>\$4,053,167</u></u>	<u><u>\$3,938,466</u></u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 34,733	\$ 21,283
Prepaid tuition	164,770	139,117
Current portion of note payable	-	23,637
TOTAL CURRENT LIABILITIES	<u>199,503</u>	<u>184,037</u>
LONG-TERM LIABILITIES		
Note payable	<u>-</u>	<u>218,138</u>
TOTAL LIABILITIES	<u>199,503</u>	<u>402,175</u>
NET ASSETS		
Without donor restrictions	3,668,657	3,346,082
With donor restrictions	185,007	190,209
TOTAL NET ASSETS	<u>3,853,664</u>	<u>3,536,291</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,053,167</u></u>	<u><u>\$ 3,938,466</u></u>

THE VICTORY CENTER, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES						
Program services and fees	\$ 1,006,419	\$ -	\$ 1,006,419	\$ 743,052	\$ -	\$ 743,052
Fundraising and donations	386,616	30,000	416,616	425,551	80,000	505,551
Investment income	517	-	517	232	-	232
Net assets released from restrictions	35,202	(35,202)	-	58,659	(58,659)	-
Total revenues	<u>1,428,754</u>	<u>(5,202)</u>	<u>1,423,552</u>	<u>1,227,494</u>	<u>21,341</u>	<u>1,248,835</u>
EXPENSES						
Program services	1,304,150	-	1,304,150	1,107,082	-	1,107,082
Management and general	65,322	-	65,322	94,032	-	94,032
Fundraising activities	68,917	-	68,917	21,623	-	21,623
Total expenses	<u>1,438,389</u>	<u>-</u>	<u>1,438,389</u>	<u>1,222,737</u>	<u>-</u>	<u>1,222,737</u>
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	(9,635)	(5,202)	(14,837)	4,757	21,341	26,098
OTHER CHANGES IN NET ASSETS						
PPP loan forgiveness	241,775	-	241,775	239,100	-	239,100
Employee retention credit	90,435	-	90,435	-	-	-
Total other changes in net assets	<u>332,210</u>	<u>-</u>	<u>332,210</u>	<u>239,100</u>	<u>-</u>	<u>239,100</u>
CHANGE IN NET ASSETS	322,575	(5,202)	317,373	243,857	21,341	265,198
NET ASSETS, BEGINNING OF YEAR	3,346,082	190,209	3,536,291	3,102,225	168,868	3,271,093
NET ASSETS, END OF YEAR	<u>\$ 3,668,657</u>	<u>\$ 185,007</u>	<u>\$ 3,853,664</u>	<u>\$ 3,346,082</u>	<u>\$ 190,209</u>	<u>\$ 3,536,291</u>

Read independent auditor's report and notes to financial statements.

THE VICTORY CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

Description	Program Services				Supporting Activities		2022 Total Expenses
	Primary Academy Vocational School	Adult Program	Sports Therapy	Total Program Services	Management and General	Fundraising	
Salaries	\$ 718,251	\$ 97,413	\$ 26,642	\$ 842,306	\$ 35,601	\$ -	\$ 877,907
Employee benefits	53,227	7,210	3,079	63,516	2,433	-	65,949
Payroll taxes	63,294	8,710	2,726	74,730	2,965	-	77,695
Total Salaries and related expenses	834,772	113,333	32,447	980,552	40,999	-	1,021,551
Auto and travel	11	-	-	11	4	-	15
Conferences, meetings and training	4,192	-	-	4,192	4	-	4,196
Credit card processing and related fees	-	-	-	-	-	10,562	10,562
Depreciation and amortization expense	72,787	-	-	72,787	5,026	-	77,813
Employment advertisement	2,308	-	-	2,308	256	-	2,564
Fingerprinting and drug testing	3,145	-	-	3,145	-	-	3,145
Fundraising	-	-	-	-	-	2,107	2,107
Insurance	22,989	583	264	23,836	2,179	-	26,015
Information technology	8,932	-	-	8,932	992	5,816	15,740
Lunches	5,152	-	-	5,152	-	-	5,152
Marketing expenses	-	-	-	-	-	6,250	6,250
Office expenses	6,544	-	-	6,544	728	-	7,272
Professional fees and contract services	30,473	-	-	30,473	3,386	44,182	78,041
Program consultants	30,125	-	-	30,125	-	-	30,125
Rent and other occupancy expenses	95,133	-	-	95,133	10,570	-	105,703
Repairs	351	-	-	351	39	-	390
School supplies	18,686	319	876	19,881	-	-	19,881
Telephone	10,230	-	-	10,230	1,139	-	11,369
Trips and events	6,580	1,528	-	8,108	-	-	8,108
Uniforms	2,390	-	-	2,390	-	-	2,390
Total Expenses	\$ 1,154,800	\$ 115,763	\$ 33,587	\$ 1,304,150	\$ 65,322	\$ 68,917	\$ 1,438,389

Read independent auditor's report and notes to financial statements.

THE VICTORY CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

Description	Program Services			Supporting Activities		2021 Total Expenses
	Primary Academy Vocational School	Adult Program	Total Program Services	Management and General	Fundraising	
Salaries	\$ 606,438	\$ 40,807	\$ 647,245	\$ 51,045	\$ -	\$ 698,290
Employee benefits	38,807	1,241	40,048	3,724	-	43,772
Payroll taxes	52,782	3,985	56,767	4,274	-	61,041
Total Salaries and related expenses	698,027	46,033	744,060	59,043	-	803,103
Auto and travel	37	-	37	20	-	57
Conferences, meetings and training	3,780	-	3,780	75	-	3,855
Credit card processing & related fees	-	-	-	-	7,727	7,727
Depreciation and amortization expense	87,697	-	87,697	7,005	-	94,702
Employment advertisement	1,373	-	1,373	242	-	1,615
Fingerprinting and drug testing	1,885	-	1,885	-	-	1,885
Insurance	23,677	808	24,485	3,465	-	27,950
Information technology	10,792	-	10,792	833	4,436	16,061
Office expenses	4,232	-	4,232	747	1	4,980
Marketing expenses	-	-	-	-	459	459
Professional fees and contract services	24,070	-	24,070	4,248	9,000	37,318
Program consultants	52,500	18,000	70,500	-	-	70,500
Rent and other occupancy expenses	93,871	-	93,871	16,565	-	110,436
Repairs	654	-	654	116	-	770
School supplies	29,682	-	29,682	-	-	29,682
Telephone	9,481	-	9,481	1,673	-	11,154
Uniforms	483	-	483	-	-	483
Total Expenses	\$ 1,042,241	\$ 64,841	\$ 1,107,082	\$ 94,032	\$ 21,623	\$ 1,222,737

Read independent auditor's report and notes to financial statements.

THE VICTORY CENTER, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 317,373	\$ 265,198
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Gain on loan forgiveness	(241,775)	(239,100)
Depreciation and amortization	77,813	94,702
Decrease in accounts receivable	5,685	8,167
Decrease in pledged contributions receivable	-	5,000
Increase in employee tax credit receivable	(66,046)	-
(Increase) decrease in prepaid expenses	(5,461)	1,474
Increase (decrease) in accounts payable and accrued expenses	13,450	(6,156)
Increase in prepaid tuition	25,652	5,799
Net cash provided by operating activities	126,691	135,084
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property and equipment	(3,819)	(2,902)
Net cash used in investing activities	(3,819)	(2,902)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable	-	241,775
Net cash provided by financing activities	-	241,775
NET INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	122,872	373,957
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR	826,483	452,526
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR	\$ 949,355	\$ 826,483

**THE VICTORY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE 1 – ORGANIZATION AND OPERATIONS

Description of organization

The Victory Center, Inc (the “Center”) is a not-for-profit corporation organized under the state of Florida. The Center operates a private school in North Miami Beach, Florida to provide children with autism and related disabilities with comprehensive individualized education and science-based therapies. The school commenced operations on June 1, 2000 and in 2011, the Center became accredited by the Advance Southern Association of Colleges and School Council.

On May 5, 2011, TVC Academy, LLC was formed as a wholly owned LLC to process the McKay Scholarships from the state of Florida. The LLC has no separate operations.

The Center provides education and service to individuals and families with autism and similar disorders in a secure and stimulating learning environment. The Center operates five full-days, year-round programs in classroom and virtual settings. The programs offered include: Early Intensive Behavioral Intervention (EIBI), Primary K-8, Vocational, Academy, Adult and Sports Therapy. Additionally, the Center offers respite and community outreach programs including aftercare, summer programs and other activities.

Early Intensive Behavioral Intervention (EIBI)

The program offers individualized Applied Behavioral Analysis (ABA) based instruction to children ages 2 to 5 in an intensive 1:1 and 2:1 student-to-teacher ratio setting by professionals qualified in areas of behavior analysis, education, and other related services. Teaching sessions are designed to teach communication skills, classroom routine skills, independent living skills such as potty training, and compliance. Further, the program focuses on reducing maladaptive behavior by creating behavior intervention plans individualized for each student. Teaching sessions alternate with small group activities which expose students to diverse social situations to help develop social and motor skills. Each student’s schedule of learning activities is designed to meet his or her needs.

Primary K-8

The program focuses on implementing individualized grade level instructions that adheres to academic state standards such as Common Core for students ages 6 to 12. Students received individualized teaching through Discrete Trial Training (DTT) and small group instruction on various subjects such as math, science, language arts, and reading. The primary program also focuses on social skills, communication skills, independent living skills, and reduction of maladaptive behavior. Additionally, the program includes individualized fitness components including swimming, yoga, cardio, and strength training.

The program offers 1:1, 2:1, and 3:1 student-to-teacher ratio and is instructed by professionals qualified in areas of behavior analysis, education, and other related services. Cutting-edge technology and targeted software applications such as IXL, a comprehensive K-8 learning experience, Edmark functional reading program, and Maxscholar, a multi-sensory reading and language-based program have been implemented to enhance program efficacy.

Vocational

The Vocational Program, unique in the South Florida area, focuses on teaching functional skills that allow an individual to be more independent when he or she transitions to adulthood. This is a center-based program for students ages 13 to 22, which is geared toward students who are unable to obtain a high school diploma and focuses on vocational training and daily living skills. The work is underscored by four primary principles: functional academics, domestic living, vocational training, and community skills. The program offers students a variety of experiences including community-based instruction (CBI), job-training, and job placement. Additionally, the program includes individualized fitness components including swimming, yoga, cardio, and strength training.

THE VICTORY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 1 – ORGANIZATION AND OPERATIONS (CONTINUED)

Vocational (continued)

The program offers 1:1, 2:1, and 3:1 student-to-teacher ratio and is staffed by professionals qualified in the areas of behavior analysis, education, and other related services. Each vocational student is assessed using the Community Based Functional Assessment and has an individualized education program that meets his or her needs and interests. These skills are taught using the ABA principles, and include instruction in the classroom, in a home environment, and in the community setting to promote generalization.

Academy

The program focuses on implementing individualized grade level instructions that adheres to academic state standards such as Common Core for students ages 13-22. Students received individualized teaching through small group instruction on various subjects such as math, science, language arts, and reading. Additionally, the program includes individualized fitness components including swimming, yoga, cardio, and strength training.

The program offers 3:1 and 5:1 student-to-teacher ratio and is instructed by professionals qualified in areas of behavior analysis, education, and other related services. Cutting-edge technology and targeted software applications such as IXL, a comprehensive K-12 learning experience, Edmark functional reading program, and Maxscholar, a multi-sensory reading and language-based program have been implemented to enhance program efficacy. The program offers students a variety of experiences including community-based instruction (CBI), job-training, and job placement.

Adult Program

This program is offered to serve the needs of individuals with disabilities beyond age 22. The program's objective is to create a level of independency by setting goals, teaching independent living skills, communication skills, and reducing maladaptive behavior. Goals for each student are established and designed during meeting between staff and parents and are monitored throughout the year. The program offers students a variety of experiences including community-based instruction (CBI), job-training, and job placement. Additionally, the program includes individualized fitness components including swimming, yoga, cardio, and strength training. The program offers 2:1, and 3:1 student-to-teacher ratio and is staffed by professionals qualified in the areas of behavior analysis, education, and other related services.

Sports Therapy

The physical education program consists of developmentally appropriate fitness activities for students with autism and related disabilities. Five of the six programs consist of 4 hours of physical education per week (1 hour, 4 times per week). The physical education program includes activities that target fine/gross motor movements, social skills among peers, teamwork, and self-improvement. The Center has a full-time coach who leads activities, which include swimming, yoga, biking, Zumba, training on fitness center equipment and team sports such as basketball, kickball, cycling, soccer, flag football among others. The physical education program also includes strengthening and stretching exercise that are conducted in an indoor fitness center to improve flexibility and core strength.

THE VICTORY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 1 – ORGANIZATION AND OPERATIONS (CONTINUED)

Respite and Community Programs

Research shows that parents and caregivers who have a child with autism experience increased stress. The Center's respite and community programming recognizes these risk factors and the importance of reducing parental stress. As such, the Center offers activities and programs such as Saturday Laugh n' Learn and Saturday Teens Activities and Recreation (STAR) program among others, which provide families with an option for weekend respite while enabling students to form social networks and strengthen their social and communication skills.

- Aftercare program: Provides students ages 5-22 years old after school care in a nurturing and stimulating environment with intensive 2:1 student-to-teacher ratio setting. Instructors are trained to continue working on the student's individualized communication and leisure goals.
- Summer Camp Program: Provides a 9-week camp for students with autism and related disabilities to learn and participate in recreational activities with trained staff using ABA approach. In this program, students are given the opportunity to continue making gains toward their individualized goals. Also, students can participate in weekly field trips and swimming lessons, which present valuable opportunities to ensure that skills taught in the classroom are generalized to the community.

Management and general activities include the functions necessary to provide support for the Center's program activities including governance, oversight, business management, financial recordkeeping, budgeting, human resource management, and similar activities that ensure adequate working environment and an equitable employment program.

Fundraising activities include publicizing and conducting fundraising campaigns, maintaining donor lists, and other activities involved with soliciting contributions from corporations, foundations, individuals, others.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

Classification of the Center's net assets and its revenues and expenses are based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Center and changes therein are classified and reported as:

Net assets without donor restrictions- Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objective of the Organization. The Center's board of directors (the "Board") may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions- Net assets subject to stipulations imposed by donors. Donor restrictions are met by actions of the Center or by the passage of time.

THE VICTORY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include all moneys in banks and highly liquid investments with an original maturity date of three months or less. The Center maintains its cash and cash equivalents in checking accounts and money market funds similar to demand deposits, which may exceed federally insured limits. The Center has not experienced any losses in such accounts and believes it is not exposed to any significant risks on cash and cash equivalents. Cash subject to restrictions include scholarship account, which is separately presented as restricted cash in the statement of financial position.

Accounts Receivable

Accounts receivable are primarily the balance of tuition due. Management believes that all outstanding accounts receivables are collectible in full and therefore no allowance for uncollectible receivables was considered necessary as of June 30, 2022.

Pledged Contributions receivables

All unconditional pledges that are verifiable, probable, and measurable are recorded at their estimated realizable value on a discounted basis, using rates ranging from 0.641% to 2.960%. The Center determines an allowance based on specific identification, historical write-offs, and current economic conditions.

Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. As of June 30, 2022 and 2021 there were no pledged contributions receivables nor allowance for uncollectible pledges.

Fixed Assets

Leasehold improvements, equipment and furniture and fixtures are reported in the statement of financial position at cost or, if donated, at the approximate fair value at the date of donation. Acquisitions of property and equipment in excess of \$500 and useful life of more than one (1) year are capitalized. Repairs and maintenance that do not significantly increase useful life of the asset are expensed as incurred. Depreciation is computed using the double declining balance or straight-line depreciation method over the estimated useful lives of the assets, as follows:

Capitalized lease	99 years
Equipment	5-10 years
Furniture and fixtures	7 years

Fixed assets are reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. As of June 30, 2022 and 2021, no impairment losses were recognized in the financial statements.

THE VICTORY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Revenues for operations are received primarily from monthly program tuition, and a one-time annual enrollment fee for first year students. The Center also benefits from monetary contributions and donated services as described below.

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional pledges, if any, are recognized when the conditions on which they depend are substantially met. Unconditional pledges due in the next year are recorded at their net realizable value.

Donated services are provided by the board members and summer program volunteers. Summer program volunteers donate time and teaching-assistance services in the Center's program operations and its fundraising campaigns. The contributed services do not meet the criteria for ASC 958, Not-for-Profit Entities, which allows recognition of contributed services only if (a) the services create or enhance nonfinancial assets or (b) the services would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing those skills. The Center's donated services did not meet the above criteria. The donated services primarily consist of the board members' time, summer program volunteers' teaching assistance and fundraising activities. As of June 30, 2022 and 2021, donated services consisted of board members' time. There were no summer program volunteers nor fundraising campaign volunteers during school year 2021-2022.

Functional Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. The statement of functional expenses presents expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Center are reported as expenses of those functional areas.

Income Taxes

The Center is a nonprofit organization, exempt from federal taxes on income other than unrelated business income, under section 501(c)(3) of the Internal Revenue Code. The Center experienced no taxes as a result of unrelated business income for the year ended June 30, 2022. The Center is not classified as a private foundation by the Internal Revenue Service. Accounting principles generally accepted in the United States of America prescribe requirements for the recognition of income taxes in financial statements, and the amounts recognized are affected by income tax positions taken by the Center in its tax returns. The Center's status as an exempt organization is defined as an income tax position under these requirements. While management believes, it has complied with the Internal Revenue Code, the sustainability of some income tax positions taken by the Center in its tax returns may be uncertain. There are minimum thresholds of likelihood that uncertain tax positions are required to meet before being recognized in the financial statements. Management does not believe that the Center has any material uncertain tax positions at June 30, 2022.

Management's Review

FASB ASC 855-10, "Subsequent Events", establishes general standards of accounting for the disclosure of events that occur after the balance sheet date but before the financial statements are issued or ready to be issued. The Center has evaluated subsequent events through November 15, 2022, which is the date the financial statements were available to be issued.

THE VICTORY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pronouncements Issued But Not Yet Effective

In February 2016, the FASB issued ASU No. 2016-02, “Leases (Topic 842),” which requires recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. A lessee will be required to recognize on the balance sheet the assets and liabilities for leases with lease terms of more than 12 months. The new standard is effective for nonprofit companies for fiscal years beginning after December 15, 2021. The Center is in the process of evaluating the effect that adopting this standard will have on its financial statements and related disclosures. It is expected that most of the operating lease commitments will be subject to the new standard and recognized as right-of-use assets and operating lease liabilities upon adoption, which will increase total assets and total liabilities as currently reported. The Center will adopt ASU 2016-02 on July 1, 2022.

NOTE 3 – FIXED ASSETS

Leasehold interest, property and equipment consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Capitalized leasehold interest	\$ 3,000,000	\$ 3,000,000
Equipment	292,308	288,490
Furniture and fixtures	<u>51,024</u>	<u>51,024</u>
Total	3,343,333	3,339,514
Less accumulated depreciation and amortization	<u>(337,083)</u>	<u>(259,271)</u>
Total property and equipment, net	<u><u>\$ 3,006,249</u></u>	<u><u>\$ 3,080,243</u></u>

For the years ended June 30, 2022 and 2021, depreciation and amortization expense was \$77,813 and \$94,702, respectively.

NOTE 4 – AVAILABILITY AND LIQUIDITY

Quantitative:

As of June 30, 2022 and 2021, there are no board designated net assets. The Center's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 859,291	\$ 734,245
Accounts receivable	71	5,756
Employee tax credit receivable	<u>66,046</u>	<u>-</u>
Total financial assets available within one year	925,408	740,001
Less: amounts unavailable for general expenditures within one year due to donor restrictions	<u>(185,007)</u>	<u>(190,209)</u>
Total financial assets available within one year	<u><u>\$ 740,401</u></u>	<u><u>\$ 549,792</u></u>

**THE VICTORY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE 4 – AVAILABILITY AND LIQUIDITY (CONTINUED)

Qualitative:

As of June 30, 2022 and 2021, the Center had \$740,401 and \$549,792, respectively, of financial assets available within one (1) year of the statement of financial position date to meet cash need for general expenditures. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position. Accounts receivable consist of tuition receivable, which are collected on a monthly basis.

Although the Center’s Board has not established a finite amount of liquidity required, management and the Board evaluates the Center’s liquidity needs on a monthly basis and makes decisions as to fundraising, tuition rates and expenditures according to available liquidity resources.

NOTE 5 – NET ASSETS

As of June 30, 2022 and 2021, net assets with donor restrictions consist of the following:

Restriction:	Purpose:	2022	2021
Scholarship Fund	Funding for families in need	\$ 81,459	\$ 83,699
PPE	Personal protective equipment	12,038	15,000
Sports Therapy	New physical education program	10,000	10,000
Adult Program	Funding for adult program	81,510	81,510
Total		<u>\$ 185,007</u>	<u>\$ 190,209</u>

For the years ended June 30, 2022 and 2021 net assets were released from donor restrictions by either incurring expenses satisfying the purpose of the restriction or meeting time restrictions specified by the donor for the year as follows:

	2022	2021
Scholarship Fund	\$ 22,240	\$ 26,979
Personal protective equipment	2,962	-
Sports Therapy	10,000	-
Adult Program	-	18,000
Wish List	-	5,680
Technology	-	8,000
Total	<u>\$ 35,202</u>	<u>\$ 58,659</u>

NOTE 6 – PAYCHECK PROTECTION PROGRAM LOAN PAYABLE

On April 27, 2020, the Center obtained a loan in the amount of \$239,100, implemented by the U.S Small Business Administration (the “SBA”), as part of the Paycheck Protection Program (“PPP”) established by the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act. The loan bears interest at an annual rate of 1% with a maturity date of two (2) years after the effective date. On May 7, 2021, the PPP loan, plus accrued interest of approximately \$2,510 was fully forgiven.

On February 23, 2021, the Center obtained another PPP loan in the amount of \$241,775. The loan bears interest at an annual rate of 1% and has a maturity date of five (5) years from the effective date. On December 15, 2021, the PPP loan plus accrued interest of approximately \$1,981 was fully forgiven.

THE VICTORY CENTER, INC.
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NOTE 7 – REVENUE RECOGNITION

The Center's primary revenue stream is program tuition revenue, which falls under Topic 606. The Center earns tuition fees from educational and therapy services provided to students with autism and related disabilities as described in NOTE 1. The Center receives monthly tuition payments at the beginning of each month during the school year. Tuition payments vary depending on the program, and some of the payments include scholarship funds received by eligible students. The tuition fees are recognized when earned by the end of the month and any tuition prepayments and scholarship funds received in advanced are deferred until services are provided

The following table summarizes the Center's disaggregated revenue by source for the years ended June 30, 2022 and 2021:

	2022	2021
Tuition fees and scholarships	\$ 981,199	\$ 726,259
Enrollment fees	16,500	6,000
Program evaluation fees	7,530	3,870
Late fees and other fees	1,010	6,863
After school	180	60
	\$ 1,006,419	\$ 743,052

Contributions received are measured at their fair values and are reported as an increase in net assets. All contributions are available for unrestricted use unless specifically restricted by the donor. Gifts of cash and other assets are reported as restricted support if they have donor stipulations that limit the use of the donated assets or if they are designated as support for future periods. When a donor-imposed restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Conditional pledges are recognized when their conditions are substantially met. Unconditional pledges due the following year are recorded at their net realizable value. As of June 30, 2022, there were no outstanding pledged contributions.

Contract liabilities: The timing of revenue recognition, billings and payment collections results in advanced tuition payments received by the Center. Tuition is billed throughout the school year on a monthly basis in accordance with the enrollment contractual terms. However, scholarship funds for eligible students are received on a quarterly or monthly basis depending on the scholarship terms. The quarterly scholarship funds are received before revenue is recognized, resulting in contract liabilities. These funds are netted against tuition billings and recognized when revenue is earned. As of June 30, 2022, the beginning and ending contract balances were \$69,772 and \$52,975, respectively.

NOTE 8 – LEASE COMMITMENTS

Effective October 20, 2016, the Center entered into a sublease contract with Michael-Ann Russell Jewish Community Center, Inc. ("JCC") for a 99-year term. The Center contributed \$3,000,000 for the construction of the subleased building. This tenant contribution is being amortized over the life of the lease. See NOTE 3. The Center moved into the new building and started operations during the 2018-2019 school year. The base rent is \$1 per year. Additionally, the Center pays a campus use fee of \$3,500 per month and approximately \$3,500 per month of pro rata share of direct expense, treated as additional rent.

In March 2020, the Center entered into a lease agreement for the rental of a copy machine. The lease requires 60 equal monthly payments of \$ 233 with maturity date in March 2025.

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NOTE 8 – LEASE COMMITMENTS (CONTINUED)

The following is a schedule by year of future minimum rental payments with a 3% present value and related fees required under the lease agreements at June 30, 2022:

2023	\$	81,776
2024		81,669
2025		80,859
2026		78,618
2027		78,454
Thereafter		<u>2,249,181</u>
		<u>\$ 2,650,558</u>

Rent expense for the administrative offices and classrooms, which is included in rent and other occupancy expenses in the statement of functional expenses, was \$94,784 and \$99,492 for the years ended June 30, 2022 and 2021, respectively.

NOTE 9 – CONCENTRATION RISK

Amounts held in financial institution occasionally are in excess of Federal Deposit Insurance Corporation limits. The Center deposits its cash with high quality financial institutions, management believes the Center is not exposed to significant credit risk on those amounts. The majority of the Center's contributions and grants are received from corporations, foundations, and individuals located in the greater Miami area. As such, the Center's ability to generate resources via contributions and grants is dependent upon economic health of that area and the state of Florida. Management does not anticipate any significant reductions in donations in the future year.

NOTE 11 – EMPLOYEE RETENTION CREDIT

The Center is eligible for the Employee Retention Credit ("ERC") under the provisions of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") signed into law on March 27, 2020. The ERC is a refundable tax credit against certain employment taxes of up to \$5,000 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages per employee through December 31, 2020. Additional relief provisions were passed by the United States government, which extend and slightly expand the qualified wage caps on these credits through December 31, 2021. Based on these additional provisions, the tax credit is now equal to 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee has been increased to \$10,000 of qualified wages per quarter.

During the year ended June 30, 2022, the Center received a total of \$24,389 for the quarters ending June 2021 and September 2021. Per FASB 958-605, Not-for-Profit Entities: Revenue Recognition, which indicates that a conditional contribution must have both (a) one or more barriers that must be overcome before a recipient is entitled to the assets transferred or promised and (b) a right of return to the contributor for assets transferred (or for a reduction, settlement, or cancellation of liabilities) or a right of release of the promisor from its obligations to transfer assets (or reduce, settle, or cancel liabilities). The Center determined both conditions were met. On September 9, 2021, The Center claimed another ERC for Q4 2020 in the amount of \$66,046, which was not settled prior to year-end

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NOTE 12 – IMPLICATIONS OF COVID-19

On January 30, 2020, The World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO declared the COVID-19 outbreak a global pandemic and recommended containment and mitigation measures worldwide.

The COVID-19 pandemic impacted the Center, its teachers, its students, and their families. The Center was forced to suspend in-person learning in 2020. The Center opened the 2020-2021 school year using a hybrid model where approximately 50% of students returned to in-person learning and the remainder participated via the distance learning program. Management opened the 2021-2022 school year at full capacity with in-person attendance. Additionally, due to the COVID-19 break, the Center suspended the summer program and aftercare program, as well as one of their major fundraising events, the Annual Gala.

The full impact of the pandemic on the Center's future depends on the ultimate duration and scope of the pandemic, the success of vaccination programs, and its impact on the staff, students and their families. Management is actively monitoring the global situation on its financial conditions, liquidity, operations, suppliers, industry, and workforce. The Center will continue to take actions to mitigate the impact of the pandemic. Throughout the fiscal year ending June 30, 2022, the effects of the pandemic on the Center have diminished and management expects only minor effects in future periods.