

THE VICTORY CENTER, INC. AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022



CERTIFIED PUBLIC ACCOUNTANTS

**THE VICTORY CENTER, INC.
YEARS ENDED JUNE 30, 2023 AND 2022**

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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 consolidated financial statements of The Victory Center, Inc., and subsidiary, together ("the Center"), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, 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 consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Center and subsidiary as of June 30, 2023 and 2022, 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.

Change in Accounting Principle

As described in Note 2 to the consolidated financial statements, the Center has adopted the Provisions of Accounting Standards Update 2016-02, Leases (Topic 842). Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated 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. and subsidiary's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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
October 11, 2023



CERTIFIED PUBLIC ACCOUNTANTS

THE VICTORY CENTER, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 190,023	\$ 859,291
Restricted cash	78,292	90,064
Certificates of deposit	300,000	-
Investments	403,411	-
Accounts receivable	3,553	71
Employee tax credit receivable	66,046	66,046
Prepaid expenses and other assets	24,770	31,446
TOTAL CURRENT ASSETS	1,066,095	1,046,918
Fixed asset, net	2,958,720	3,006,249
Right-of-use-assets	727,141	-
TOTAL ASSETS	\$ 4,751,956	\$ 4,053,167
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 27,108	\$ 34,733
Prepaid tuition	206,288	164,770
Current portion of right-of-use liabilities	194	-
TOTAL CURRENT LIABILITIES	233,590	199,503
LONG-TERM LIABILITIES		
Right-of-use liabilities	726,947	-
TOTAL LIABILITIES	960,537	199,503
NET ASSETS		
Without donor restrictions	3,612,168	3,637,896
With donor restrictions	179,251	215,768
TOTAL NET ASSETS	3,791,419	3,853,664
TOTAL LIABILITIES AND NET ASSETS	\$ 4,751,956	\$ 4,053,167

THE VICTORY CENTER, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES						
Program services and fees	\$ 1,350,860	\$ -	\$ 1,350,860	\$ 1,006,419	\$ -	\$ 1,006,419
Fundraising and donations	392,524	97,000	489,524	386,616	30,000	416,616
Net assets released from restrictions	133,517	(133,517)	-	35,202	(35,202)	-
Total revenues	<u>1,876,901</u>	<u>(36,517)</u>	<u>1,840,384</u>	<u>1,428,237</u>	<u>(5,202)</u>	<u>1,423,035</u>
EXPENSES						
Program services	1,730,242	-	1,730,242	1,304,150	-	1,304,150
Management and general	67,452	-	67,452	65,322	-	65,322
Fundraising activities	119,641	-	119,641	68,917	-	68,917
Total expenses	<u>1,917,335</u>	<u>-</u>	<u>1,917,335</u>	<u>1,438,389</u>	<u>-</u>	<u>1,438,389</u>
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	(40,434)	(36,517)	(76,951)	(10,152)	(5,202)	(15,354)
OTHER CHANGES IN NET ASSETS						
Investment income	14,706	-	14,706	517	-	517
PPP loan forgiveness	-	-	-	241,775	-	241,775
Employee retention credit	-	-	-	90,435	-	90,435
Total other changes in net assets	<u>14,706</u>	<u>-</u>	<u>14,706</u>	<u>332,727</u>	<u>-</u>	<u>332,727</u>
CHANGE IN NET ASSETS	(25,728)	(36,517)	(62,245)	322,575	(5,202)	317,373
NET ASSETS, BEGINNING OF YEAR	3,637,896	215,768	3,853,664	3,315,321	220,970	3,536,291
NET ASSETS, END OF YEAR	<u>\$ 3,612,168</u>	<u>\$ 179,251</u>	<u>\$ 3,791,419</u>	<u>\$ 3,637,896</u>	<u>\$ 215,768</u>	<u>\$ 3,853,664</u>

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

THE VICTORY CENTER, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

Description	Program Services				Supporting Activities		2023 Total Expenses
	Primary Academy Vocational School	Adult Program	Sports Therapy	Total Program Services	Management and General	Fundraising	
Salaries	\$ 1,033,878	\$ 98,834	\$ 54,362	\$ 1,187,074	\$ 41,028	\$ -	\$ 1,228,102
Employee benefits	54,620	4,831	4,154	63,605	2,113	-	65,718
Payroll taxes	92,015	8,246	4,708	104,969	3,496	-	108,465
Total Salaries and related expenses	1,180,513	111,911	63,224	1,355,648	46,637	-	1,402,285
Auto and travel	735	-	-	735	155	-	890
Conferences, meetings and training	15,338	1,500	-	16,838	128	-	16,966
Credit card processing and related fees	-	-	-	-	-	3,927	3,927
Depreciation and amortization expense	66,020	-	-	66,020	3,860	-	69,880
Employment advertisement	5,279	-	-	5,279	586	-	5,865
Fingerprinting and drug testing	2,945	-	-	2,945	-	-	2,945
Insurance	26,717	519	462	27,698	2,522	-	30,220
Information technology	10,017	-	-	10,017	491	10,179	20,687
Lunches	11,331	-	-	11,331	-	-	11,331
Marketing expenses	13	-	-	13	-	25,805	25,818
Office expenses	7,592	-	-	7,592	843	105	8,540
Professional fees and contract services	36,932	-	-	36,932	4,104	79,625	120,661
Program consultants	29,250	-	-	29,250	-	-	29,250
Rent and other occupancy expenses	102,260	-	-	102,260	6,696	-	108,956
Repairs	2,955	-	-	2,955	328	-	3,283
School supplies	26,475	460	-	26,935	-	-	26,935
Telephone	9,919	-	-	9,919	1,102	-	11,021
Trips and events	12,986	1,522	-	14,508	-	-	14,508
Uniforms	3,367	-	-	3,367	-	-	3,367
Total Expenses	\$ 1,550,644	\$ 115,912	\$ 63,686	\$ 1,730,242	\$ 67,452	\$ 119,641	\$ 1,917,335

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

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

Description	Program Services			Total Program Services	Supporting Activities		2022 Total Expenses
	Primary Academy Vocational School	Adult Program	Sports Therapy		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.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (62,245)	\$ 317,373
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Gain on PPP loan forgiveness	-	(241,775)
Depreciation and amortization	69,880	77,813
Amortization of right-of-use assets	184	-
Non-cash lease liability interest expense	41,816	-
Payments on lease liabilities	(42,000)	-
Net unrealized (gain)/loss on investments	(2,110)	-
(Increase) decrease in accounts receivable	(3,482)	5,685
Increase in employee tax credit receivable	-	(66,046)
Decrease (increase) in prepaid expenses	6,675	(5,461)
(Decrease) increase in accounts payable and accrued expenses	(7,624)	13,450
Increase in prepaid tuition	41,518	25,652
Net cash provided by operating activities	42,612	126,691
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property and equipment	(22,351)	(3,819)
Purchase of certificate of deposits	(300,000)	-
Net investment purchases	(401,301)	-
Net cash used in investing activities	(723,652)	(3,819)
NET (DECREASE) INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(681,040)	122,872
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR	949,355	826,483
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR	\$ 268,315	\$ 949,355
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for amounts included in the measurement of lease liabilities	\$ 42,000	\$ -
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Additions in right-of-use assets obtained from operation lease liabilities	\$ 727,325	\$ -

THE VICTORY CENTER, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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. 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 Family Empowerment Scholarship for Unique Abilities, 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 receive 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 THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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 independence by setting goals, teaching independent living skills, communication skills, and reducing maladaptive behavior. Goals for each student are established and designed during meetings 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 exercises that are conducted in an indoor fitness center to improve flexibility and core strength.

Middle School Program

The goal of the middle school program is to deliver individualized, intensive, and evidence-based educational services to children and adolescents with autism and related developmental disabilities. The program focuses on social skills, communication, independent living skills and reduction of maladaptive behavior and implements individualized grade level instruction that adheres to academic state standards such as common core for students ages 11 to 13. Students receive individualized teaching through Discrete Trial Training (DTT) and small group instruction on various subjects such as math, science, language arts, and reading.

THE VICTORY CENTER, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 1 – ORGANIZATION AND OPERATIONS (CONTINUED)

Middle School Program (Continued)

The program also includes individualized fitness components such as swimming, yoga, cardio, and strength training and is instructed by professionals qualified in areas of applied 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, and Maxscholar, a multi-sensory reading and language-based program have been implemented to enhance program efficacy.

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 consolidated 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 THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

The preparation of consolidated 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 receivable are collectible in full and therefore no allowance for uncollectible receivables was considered necessary as of June 30, 2023.

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, 2023 and 2022 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, 2023 and 2022, no impairment losses were recognized in the financial statements.

THE VICTORY CENTER, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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. 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.

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, 2023. 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, 2023.

Investments

Investments are reported at fair value in the statement of financial position. Any unrealized and realized gains or losses are reported in the statements of activities as a change in net assets without donor restrictions. Interest and dividend income is recognized when earned. Dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are reflected in the statements of activities. Realized gains and losses on sale of investments are calculated on the basis of specific identification of the securities sold. Purchases and sales of securities are recognized on a trade-date basis.

THE VICTORY CENTER, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

Assets and liabilities that are reported at fair value on a recurring basis are categorized into a fair value hierarchy. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

Level 1 Inputs – Unadjusted quoted market prices for identical assets and liabilities in an active market that the Organization has the ability to access.

Level 2 Inputs – Inputs other than the quoted prices in active markets that are observable either directly or indirectly.

Level 3 Inputs – Inputs based on prices or valuation techniques that are both unobservable and significant to the overall fair value measurements.

Investments in bonds, equities, and mutual funds are carried at fair value based on quoted prices in active markets in the statement of financial position.

Accounting Standard Adopted

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 Center adopted this new standard on July 1, 2022, using the effective date method and utilized all of the available practical expedients. Variable lease payments are recorded in the period in which the obligation for the payment is incurred. The guidance is applied to all leases existing at, or entered into after, January 1, 2022, the effective date. The prior comparative period is not adjusted under this method. The adoption had a material impact on the Center’s statement of financial position but did not have a material impact on the statement of activities. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases. See Note 8 for lease terms and details.

Reclassification

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. The overall reclassification had no impact on previously reported change in net assets or cash flows.

NOTE 3 – FIXED ASSETS

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

	<u>2023</u>	<u>2022</u>
Capitalized leasehold interest	\$ 3,000,000	\$ 3,000,000
Equipment	312,604	292,308
Furniture and fixtures	<u>53,080</u>	<u>51,024</u>
Total	3,365,684	3,343,332
Less accumulated depreciation and amortization	<u>(406,964)</u>	<u>(337,083)</u>
Total property and equipment, net	<u>\$ 2,958,720</u>	<u>\$ 3,006,249</u>

For the years ended June 30, 2023 and 2022, depreciation and amortization expense was \$69,880 and \$77,813, respectively.

THE VICTORY CENTER, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 4 – AVAILABILITY AND LIQUIDITY

Quantitative:

As of June 30, 2023 and 2022, 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:

	2023	2022
Cash and cash equivalents	\$ 190,023	\$ 859,291
Accounts receivable	3,553	71
Certificate of deposits	300,000	-
Investments	403,412	-
Employee tax credit receivable	66,046	66,046
Total financial assets available within one year	963,034	925,408
Less: amounts unavailable for general expenditures within one year due to donor restrictions	(179,251)	(215,768)
Total financial assets available within one year	\$ 783,783	\$ 709,640

Qualitative:

As of June 30, 2023 and 2022, the Center had \$783,783 and \$709,640, 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, 2023 and 2022, net assets with donor restrictions consist of the following:

Restriction:	Purpose:	2023	2022
Scholarship Fund	Funding for families in need	\$ 68,184	\$ 81,459
PPE	Personal protective equipment	10,158	12,038
Sports Therapy	New physical education program	10,000	40,761
Adult Program	Funding for adult program	81,510	81,510
Technology	Software maintenance, IT and repairs	9,399	-
Total		\$ 179,251	\$ 215,768

THE VICTORY CENTER, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 5 – NET ASSETS (CONTINUED)

For the years ended June 30, 2023 and 2022 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:

	<u>2023</u>	<u>2022</u>
Scholarship Fund	\$ 34,275	\$ 22,240
Personal protective equipment	1,880	2,962
Sports Therapy	66,761	10,000
Community based instruction	10,000	-
Teacher development	15,000	-
Technology	5,601	-
Total	<u>\$ 133,517</u>	<u>\$ 35,202</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.

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 and fee revenue is recorded at established rates, net of financial aid and scholarships. Tuition payments vary depending on the program, and some of the payments include scholarship funds received by eligible students. Revenue amounts are considered to be fixed and determinable and are recorded as revenue when performance obligations are satisfied which is generally over time as services are rendered. The tuition fees are recognized when earned by the end of the month and any tuition prepayments and scholarship funds received in advance are deferred until services are provided. Management does not consider significant judgment involved in determining satisfaction of performance obligations given the direct linkage to the academic calendar. Tuition and fees are nonrefundable.

The following table summarizes the Center’s disaggregated revenue by source for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Tuition fees and scholarships	\$ 1,303,739	\$ 981,199
Enrollment fees	16,800	16,500
Program evaluation fees	5,790	7,530
Late fees and other fees	24,381	1,010
After school	150	180
	<u>\$ 1,350,860</u>	<u>\$ 1,006,419</u>

THE VICTORY CENTER, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 7 – REVENUE RECOGNITION (CONTINUED)

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, 2023, 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, 2023, the beginning and ending contract liabilities were \$69,825 and \$83,763, respectively.

Various economic factors affect revenue and cash flows. The school receives scholarship funding from the state based on the financial need of its students. Therefore, tuition prices, scholarship availability and economic downturns can have a significant impact on enrollment. Additionally, other revenues are derived from fundraising activities and contributions.

NOTE 8 – LEASE COMMITMENTS

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.

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.

On July 1, 2022, the Center implemented ASC 842, *Leases*. The Center assesses whether an arrangement qualifies as a lease (i.e. conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. As the lease does not provide an implicit rate, the Center has elected to use the incremental borrowing rate (5.75%) to discount the annual lease payments. The pro rata share of direct expense amounted to approximately \$59,400 and is considered a variable lease payment recorded in the period in which the obligation for the payment is incurred. As of June 30, 2023, the remaining lease term was 95 years. As a result of the implementation, the Center recorded right-of-use assets and liabilities for the base rent and campus use fee of \$727,325 as of July 1, 2022.

THE VICTORY CENTER, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 8 – LEASE COMMITMENTS (CONTINUED)

The following summarizes the line items in the balance sheet, which include the amount of operating lease as of June 30, 2023:

Right-of-use asset	\$	<u>727,141</u>
Current portion of right-of-use liability		194
Right-of-use liability		<u>726,947</u>
Total right-of-use liability	\$	<u><u>727,141</u></u>

The maturities of the lease liability as of June 30, 2023 were as follows:

2024	\$	42,000
2025		42,000
2026		42,000
2027		42,000
2028		42,000
Thereafter		<u>3,745,000</u>
Total lease payments		3,955,000
Less: interest		<u>3,227,859</u>
Present value of lease liability	\$	<u><u>727,141</u></u>

The operating lease expense included in program services expense totaled \$42,000 as of June 30, 2023.

The following financial statements line items for the year ended June 30, 2023, were affected by the change in accounting principle. The change had no effect for the year ended June 30, 2022:

	<u>As Computed</u> <u>under</u> <u>ASC 840</u>	<u>As Reported</u> <u>Under</u> <u>ASC 842</u>	<u>Effect of</u> <u>Change</u>
Total assets	\$ 4,024,815	\$ 4,751,956	\$ 727,141
Total liabilities	\$ 233,396	\$ 960,537	\$ 727,141

Rent expense for the administrative offices and classrooms, which is included in rent and other occupancy expenses in the statement of functional expenses, was \$57,207 and \$94,784 for the years ended June 30, 2023 and 2022, respectively.

THE VICTORY CENTER, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 9 – CONCENTRATION RISK

Amounts held in financial institutions 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 the economic health of that area and the state of Florida. Management does not anticipate any significant reductions in donations in the future year.

NOTE 10 – 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 received during August 2023.

NOTE 11 – INVESTMENT AND FAIR VALUE MEASUREMENTS

Investments are recorded at fair value. The cost and fair value at June 30, 2023 are as follows:

<u>Investments</u>	<u>Cost</u>	<u>FMV</u>
U.S Treasury Securities	\$ 401,301	\$ 403,411
Total	<u>\$ 401,301</u>	<u>\$ 403,411</u>

Dividends and interest income amounted to \$12,596 and unrealized gains from investments amounted to \$2,110 as of June 30, 2023.

THE VICTORY CENTER, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 11– INVESTMENT AND FAIR VALUE MEASUREMENTS (CONTINUED)

The following table represents the Center’s investments and cash equivalents, measured at fair value on a recurring basis, and their level within the fair value hierarchy:

	Fair Value Measurements at June 30, 2023 Using:			
	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S Treasury Securities	\$ 403,411	\$ -	\$ 403,411	-
Total	\$ 403,411	\$ -	\$ 403,411	\$ -

In certain cases, the inputs to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment’s level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Center’s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgement and considers factors specific to the investment. The Center assesses the levels of the investments at each measurement date and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer. There were no transfers among Levels 1, 2 and 3 during the year ended June 30, 2023.

NOTE 12 – CERTIFICATE OF DEPOSITS

At June 30, 2023, the Center had three (3) certificates of deposit amounting to \$300,000. The rates for the certificates of deposit range from 5.05% to 5.10% and had maturity dates of November 2023, May 2024 and November 2024.

NOTE 13 – SUBSEQUENT EVENTS

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 October 11, 2023, which is the date the financial statements were available to be issued.