

Design Connect Create
Dallas, Texas

Financial Statements Together With
Independent Auditor's Report

December 31, 2019 and 2018



Ratliff & Associates, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Design Connect Create
Financial Statements
December 31, 2019 and 2018

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Ratcliff & Associates, P.C.
Certified Public Accountants

Independent Auditor's Report

To the Board of Directors of
Design Connect Create

We have audited the accompanying financial statements of Design Connect Create (a Texas nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Design Connect Create as of December 31, 2019 and 2018, 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.

Ratcliff & Associates, P.C.

September 8, 2020

Design Connect Create
Statements of Financial Position
December 31, 2019 and 2018

	2019	2018
Assets		
Current assets		
Cash and cash equivalents	\$ 135,486	\$ 130,149
Receivables	85,525	-
Inventory	9,253	-
Investments	50,982	50,059
Total current assets	281,246	180,208
Noncurrent assets		
Property and equipment		
Furniture and equipment	18,449	18,449
Less: accumulated depreciation	(16,046)	(11,436)
Net property and equipment	2,403	7,013
Total Assets	\$ 283,649	\$ 187,221
Liabilities & net assets		
Liabilities		
Current liabilities		
Accounts payable	\$ 7,432	\$ 2,139
Net assets		
Without donor restrictions	137,625	110,717
With donor restrictions	138,592	74,365
Total net assets	276,217	185,082
Total Liabilities & Net Assets	\$ 283,649	\$ 187,221

The accompanying note disclosures are an integral part of these financial statements.

Design Connect Create
Statements of Activities
For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Changes in net assets without donor restrictions		
Revenues		
Revenues without donor restrictions		
Donations	\$ 60,610	\$ 35,296
Grants	50,000	29,810
Other income	11,271	5,686
In kind donations	<u>22,972</u>	<u>27,180</u>
Total revenues without donor restrictions	144,853	97,972
Net assets released from restrictions		
Satisfaction of program restrictions	<u>185,273</u>	<u>189,980</u>
Total net assets released from restrictions	185,273	189,980
 Total revenues	 <u>330,126</u>	 <u>287,952</u>
Expenses		
Programs		
Program activities	<u>230,827</u>	<u>225,471</u>
Support services		
Fundraising	11,129	7,554
General and administrative	<u>61,262</u>	<u>50,499</u>
Total expenses	<u>303,218</u>	<u>283,524</u>
 Change in net assets without donor restrictions	 <u>26,908</u>	 <u>4,428</u>
Changes in net assets with donor restrictions		
Restricted contributions and grants	249,500	239,345
Net assets released from restriction	<u>(185,273)</u>	<u>(189,980)</u>
 Change in net assets with donor restrictions	 <u>64,227</u>	 <u>49,365</u>
 Change in total net assets	 <u>91,135</u>	 <u>53,793</u>
 Net assets at beginning of year	 <u>185,082</u>	 <u>131,289</u>
 Net assets at end of year	 <u>\$ 276,217</u>	 <u>\$ 185,082</u>

The accompanying note disclosures are an integral part of these financial statements.

Design Connect Create
 Statements of Functional Expenses
 For the Years Ended December 31, 2019 and 2018

	2019	2018	2019	2018	2019	2018	2019	2018
	Programs		Support Services					
	Program activities		Fundraising		General & administrative		Total	
Advertising & Promotion	\$ 1,256	\$ 1,890	\$ 10,000	\$ -	\$ 1,000	\$ 25	\$ 12,256	\$ 1,915
Bank Fees	296	-	199	104	683	6,366	1,178	6,470
Depreciation	3,610	3,610	-	-	1,000	1,000	4,610	4,610
Donations to Others	25,639	50,000	-	-	-	-	25,639	50,000
Information Technology	11,770	15,549	-	-	7,602	9,033	19,372	24,582
Meals & Entertainment	6,346	7,700	-	-	-	-	6,346	7,700
Occupancy	-	12,344	-	1,418	15,972	1,418	15,972	15,180
Office Expense	12,960	14,739	613	-	1,186	1,989	14,759	16,728
Personnel	160,224	107,379	317	5,818	19,980	30,111	180,521	143,308
Professional Fees	-	-	-	-	12,000	-	12,000	-
Travel	8,726	12,260	-	214	1,839	557	10,565	13,031
Total expenses	<u>\$ 230,827</u>	<u>\$ 225,471</u>	<u>\$ 11,129</u>	<u>\$ 7,554</u>	<u>\$ 61,262</u>	<u>\$ 50,499</u>	<u>\$ 303,218</u>	<u>\$ 283,524</u>

The accompanying note disclosures are an integral part of these financial statements.

Design Connect Create
Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Cash received from contributions, grants, and other income	\$ 307,905	\$ 337,258
Cash paid for programs and support services	(302,568)	(284,685)
Net cash provided (used) by operating activities	5,337	52,573
Cash flows from investing activities		
Purchases of investments	-	(50,000)
Net cash provided (used) by investing activities	-	(50,000)
Net increase (decrease) in cash and cash equivalents	5,337	2,573
Cash and cash equivalents at beginning of year	130,149	127,576
Cash and cash equivalents at end of year	\$ 135,486	\$ 130,149
Reconciliation of change in total net assets to net cash provided (used) by operating activities		
Change in total net assets	\$ 91,135	\$ 53,793
Adjustments		
Depreciation	4,610	4,610
Change in inventory	(9,253)	-
Change in accounts receivable	(86,448)	-
Change in accounts payable	5,293	(5,830)
Total adjustments	(85,798)	(1,220)
Net cash provided (used) by operating activities	\$ 5,337	\$ 52,573

The accompanying note disclosures are an integral part of these financial statements.

Design Connect Create
Note Disclosures to the Financial Statements
December 31, 2019 and 2018

Note 1, Nature of the Organization

Design Connect Create (“the Organization”) is a 501(c)(3), Texas nonprofit corporation that exists to empower young women to be successful in Science, Technology, Engineering and Math (“STEM”) courses. The Organization is cultivating a culture for young women where persistence is expected, curiosity is encouraged, risk is rewarded, and creativity is applauded.

In 2019, the Organization offered 10 sessions and served 286 young women. Through continued partnerships with Austin ISD, Dallas ISD, Duncanville ISD, Fort Worth ISD, Grand Prairie ISD, Mesquite ISD, Rice University, and University of Texas at Dallas, along with 2 new sessions for middle school girls in Grand Prairie, the Organization offered 8 physics camp sessions and 2 STEM camp sessions. Since 2015, the Organization has offered STEM camp sessions serving a total of 1,001 young women and training for 39 physics instructors.

Note 2, Summary of Significant Accounting Policies

The following is a summary of the Organization’s significant accounting policies consistently applied in the preparation of the accompanying financial statements:

Basis of accounting: The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP) of the United States of America. Revenues are recognized when earned, and expenses are recorded when incurred.

Revenue recognition: Revenues of the Organization are primarily derived from donor contributions and grants from supporters. A portion of the Organization’s revenues is tied to the local economy. All contributions are considered available for the Organization’s general programs unless specifically restricted by the donor.

Amounts received that are donor restricted by time or purpose are reported as increases in net asset with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction. However, contributions received with restrictions that are met in the same reporting period are reported as increases in net assets without restrictions.

Investment income that is limited to specific uses by donor restrictions is also reported as increases in net assets without restrictions if the restrictions are met in the same reporting period as the income is recognized.

Net assets without donor restrictions: The Organization further disaggregates net assets without donor restriction into two subcategories:

- General unrestricted: Net assets that are neither subject to donor-imposed restrictions or self-imposed limits are general unrestricted.
- Internally designated: Net assets that are subject to the Organization's self-imposed limits by action of the governing board or its delegates are internally designated. These voluntary limitations allow the Organization to earmark net assets for a variety of needs that may arise. Such limits may also be lifted at any time in the future by resolution of the board or its delegates.

Design Connect Create
Note Disclosures to the Financial Statements
December 31, 2019 and 2018

Note 2, Summary of Significant Accounting Policies (continued)

Net assets with donor restriction: The Organization further disaggregates net assets with donor restriction into two subcategories:

- Temporarily restricted: The Organization reports gifts of cash and other assets as with temporary donor restriction if they are received with donor stipulations temporarily limiting the use of the contributions and if the restrictions are not met in the period of receipt.
- Permanently restricted: The Organization reports gifts of cash and other assets as with permanent donor restriction if they are received with donor stipulations permanently restricting the contribution to investment but permitting the Organization to use part or all of the income derived from the investment for general or restricted purposes. For the year ended December 31, 2019, the Organization has no permanently restricted net assets.

Programs: The Organization pursues its mission through the execution of the following major programs that are also the reported functional expenses of the organization:

- Program activities: Provide out-of-school education in the fields of science, technology, engineering, and mathematics for young women attending secondary school.
- Fundraising: encouraging additional contributions and grants for the Organization and its programs.
- General and administrative: providing administrative support to the above functional areas

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates included in the financial statements include depreciation, the allocation of certain expenses, and the valuation of donated staff services. Depreciation is computed using management's estimate of the useful lives of the asset. The allocation of certain expenses is based on management's estimate of staff activities. The valuation of donated staff services is based upon a reasonable market range for an equivalent staff position's compensation.

Cash and cash equivalents: For purposes of the statement of cash flows, the Organization considers highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and short-term investments held in a bank money market account are reported as investments instead of cash because the Organization maintains and invests those funds separately.

Allocation of expenses by function and nature: The costs of providing the various programs and other activities have been allocated and summarized on a functional basis in the statement of activities and on both a functional and a natural bases in the statement of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services, as well as the natural categories, benefited.

Design Connect Create
Note Disclosures to the Financial Statements
December 31, 2019 and 2018

Note 2, Summary of Significant Accounting Policies (continued)

In-kind donated services and assets: Contributed services are recognized as unrestricted revenues if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by contribution. Contributed services that do not meet these criteria are not recognized as revenue.

For the years ended December 31, 2019 and 2018 in-kind services consist of staff and professional services valued at \$7,000 and \$12,000 respectively, which is included with personnel expense. These valuations are based upon market compensation for equivalent staff positions provided during the year.

A substantial number of volunteers have also donated significant amounts of their time to the Organization's programs. However, these donated services are not reflected in the financial statements since these services do not meet the criteria for recognition.

Donated space to be used for program and administrative purposes was provided to the Organization. For the years ended December 31, 2019 and 2018 in-kind space usage was valued at \$15,972 and \$15,180 respectively. These valuations are based upon estimates for similar space.

Furniture and equipment: Furniture and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. The Organization capitalizes assets with a cost greater than \$1,000. Repairs and maintenance are expensed as incurred unless they materially extend the useful life of the related asset, in which case they are capitalized and depreciated. When furniture and equipment is sold or otherwise disposed of, the asset and related accumulated depreciation are removed, and a gain or loss, if any, is included in operations. Depreciation is computed using a straight-line method over the estimated useful lives. Furniture and equipment have estimated useful lives ranging from 3 to 10 years.

Inventory: Inventory is stated at standard cost, which approximates the lower of cost or market. Inventories consist primarily of calculators for summer camps.

Investments: Investments represent amounts invested in money market funds. Investment income is not material to these financial statements and is included in other income on the statement of activities.

Fair value measurement: Fair value hierarchy is used to disclose the inputs to fair value measurement. This hierarchy prioritizes the inputs into three broad levels. A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

Income tax status: The Organization is a nonprofit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code as other than a private foundation, except on net income derived from unrelated business activities. For the year ended December 31, 2019 the Organization has not conducted unrelated business activities that are material to the financial statements taken as a whole. Accordingly, no provision for income taxes is included in the financial statements. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. Tax returns of the Organization are open to examination by the relevant taxing authorities for a period of three year from the date the returns are filed.

Design Connect Create
 Note Disclosures to the Financial Statements
 December 31, 2019 and 2018

Note 3, Net Assets

Net assets for the years ended December 31, 2019 and 2018, are presented as follows:

	Net Assets Without Donor Restrictions		Net Assets With Donor Restrictions
	General Unrestricted	Internally Designated	Temporarily Donor Restricted
Balance, January 1, 2018	\$ 56,289	\$ 50,000	\$ 25,000
Net change	4,428	-	49,365
Balance, December 31, 2018	60,717	50,000	74,365
Net change	26,908	-	64,227
Balance, December 31, 2019	<u>\$ 87,625</u>	<u>\$ 50,000</u>	<u>\$ 138,592</u>

The details of the Organization's net assets by categories at December 31 are as follows:

	2019	2018
Net assets without donor restrictions		
General unrestricted	\$ 87,625	\$ 60,717
Internally designated		
Liquidity reserve	50,000	50,000
Total net assets without donor restrictions	137,625	110,717
Net assets with donor restrictions are restricted for physics camps	138,592	74,365
Total net assets	<u>\$ 276,217</u>	<u>\$ 185,082</u>

Note 4, Investments

At December 31, 2019, investments consist of a money market account. Investment income is included in other income on the statement of activities. Interest income for the years ended December 31, 2019 and 2018 is \$923 and \$59, respectively. Investments are all Level 1 inputs which are based upon quoted prices in active markets for identical assets.

Design Connect Create
 Note Disclosures to the Financial Statements
 December 31, 2019 and 2018

Note 5, Advertising Expense

The Organization expenses advertising cost as incurred. Advertising expense for the years ended December 31, 2019 and 2018, was approximately \$12,256 and \$1,915, respectively.

Note 6, Liquidity and Availability of Financial Assets

The Organization's financial assets are current assets available for general expenditure within one year of the statement date. Financial assets are calculated as follows: current assets less donor-restricted and board-designated cash and investments.

As part of the Organization's liquidity management, it has a strategy to structure its financial assets to be available as general expenditures, liabilities and other obligations come due. The significant qualities of this strategy are as follows:

- The Organization reserves a portion of prior years' excess revenues (operating surplus) in a board-designated liquidity reserve fund.
- The Organization is highly dependent on recurring contributions from its donors which have remained relatively consistent year-to-year.
- If liquidity becomes a concern, the Organization may elect to decrease its program budget in order to eliminate excess spending.

The Organization's financial assets are quantified as follows:

	<u>2019</u>	<u>2018</u>
Current assets	\$ 281,246	\$ 180,208
Less: those unavailable for general expenditures within one year, due to		
Internally designated:		
Board-designated liquidity reserve	(50,000)	(50,000)
Donor-imposed restrictions or contractual requirements:		
Donor restrictions	<u>(138,592)</u>	<u>(74,365)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 92,654</u>	<u>\$ 55,843</u>

Design Connect Create
Note Disclosures to the Financial Statements
December 31, 2019 and 2018

Note 7, Subsequent Events

The Organization has evaluated subsequent events through the date of the Independent Auditor's Report on page one, which is the date the statements were available to be issued.

Subsequent to December 31, due to a coronavirus global pandemic the Organization put on hold their two-week summer camps and planned for a virtual version of the camp. A camp kit that included all the supplies and equipment required for the activities was created. Camps were reduced to five days and the Organization had to limit the number of girls that could be served during each session. For Summer 2020 the Organization was only able to offer 8 sessions and serve 72 girls. See also the liquidity disclosure.