

Design Connect Create
Dallas, Texas

Financial Statements Together With
Independent Auditor's Report

December 31, 2020 and 2019



RATLIFF + ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Design Connect Create
Financial Statements
December 31, 2020 and 2019

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Independent Auditor's Report

To the Board of Directors,
Design Connect Create

Opinion

We have audited the accompanying financial statements of Design Connect Create ("the Organization"), a Texas nonprofit organization, which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2020 and 2019, 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 Organization 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 Organization'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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Independent Auditor's Report (continued)

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In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Razloff & Associates, P.C.

July 28, 2021

Design Connect Create
Statements of Financial Position
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 296,370	\$ 135,486
Receivables	40,000	85,525
Inventory	9,253	9,253
Investments	101,115	50,982
Total current assets	<u>446,738</u>	<u>281,246</u>
Noncurrent assets		
Property and equipment		
Furniture and equipment	18,449	18,449
Less: accumulated depreciation	(18,449)	(16,046)
Net property and equipment	<u>-</u>	<u>2,403</u>
Total Assets	<u>\$ 446,738</u>	<u>\$ 283,649</u>
Liabilities & net assets		
Liabilities		
Current liabilities		
Accounts payable	<u>\$ 4,306</u>	<u>\$ 7,432</u>
Net assets		
Without donor restrictions	245,085	137,625
With donor restrictions	197,347	138,592
Total net assets	<u>442,432</u>	<u>276,217</u>
Total Liabilities & Net Assets	<u>\$ 446,738</u>	<u>\$ 283,649</u>

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

Design Connect Create
Statements of Activities
For the Years Ended December 31, 2020 and 2019

	2020	2019
Changes in net assets without donor restrictions		
Revenues		
Revenues without donor restrictions		
Donations	\$ 68,930	\$ 60,610
Grants	137,400	50,000
Other income	2,726	11,271
In kind donations	17,811	22,972
Total revenues without donor restrictions	226,867	144,853
Net assets released from restrictions		
Satisfaction of program restrictions	84,245	185,273
Total net assets released from restrictions	84,245	185,273
 Total revenues	 311,112	 330,126
Expenses		
Programs		
Program activities	104,157	230,827
Support services		
Fundraising	9,275	11,129
General and administrative	90,220	61,262
Total expenses	203,652	303,218
 Change in net assets without donor restrictions	 107,460	 26,908
 Changes in net assets with donor restrictions		
Restricted contributions and grants	143,000	249,500
Net assets released from restriction	(84,245)	(185,273)
 Change in net assets with donor restrictions	 58,755	 64,227
 Change in total net assets	 166,215	 91,135
 Net assets at beginning of year	 276,217	 185,082
 Net assets at end of year	 \$ 442,432	 \$ 276,217

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, 2020 and 2019

	2020	2019	2020	2019	2020	2019	2020	2019
	Programs		Support Services					
	Program activities		Fundraising		General & administrative		Total	
Advertising & Promotion	\$ -	\$ 1,256	\$ 100	\$ 10,000	\$ 264	\$ 1,000	\$ 364	\$ 12,256
Bank Fees	-	296	-	199	765	683	765	1,178
Depreciation	1,504	3,610	-	-	899	1,000	2,403	4,610
Donations to Others	-	25,639	-	-	-	-	-	25,639
Information Technology	7,925	11,770	100	-	9,202	7,602	17,227	19,372
Meals & Entertainment	-	6,346	-	-	-	-	-	6,346
Occupancy	-	-	-	-	17,811	15,972	17,811	15,972
Office Expense	3,355	12,960	325	613	173	1,186	3,853	14,759
Personnel	89,779	160,224	-	317	43,600	12,980	133,379	173,521
Professional Fees	750	-	8,750	-	17,506	19,000	27,006	19,000
Travel	844	8,726	-	-	-	1,839	844	10,565
Total expenses	<u>\$ 104,157</u>	<u>\$ 230,827</u>	<u>\$ 9,275</u>	<u>\$ 11,129</u>	<u>\$ 90,220</u>	<u>\$ 61,262</u>	<u>\$ 203,652</u>	<u>\$ 303,218</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Cash received from contributions, grants, and other income	\$ 415,259	\$ 307,905
Cash paid for programs and support services	(204,375)	(302,568)
Net cash provided (used) by operating activities	<u>210,884</u>	<u>5,337</u>
Cash flows from investing activities		
Purchases of investments	(50,000)	-
Net cash provided (used) by investing activities	<u>(50,000)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	160,884	5,337
Cash and cash equivalents at beginning of year	<u>135,486</u>	<u>130,149</u>
Cash and cash equivalents at end of year	<u><u>\$ 296,370</u></u>	<u><u>\$ 135,486</u></u>

Reconciliation of change in total net assets to net cash provided (used) by operating activities

Change in total net assets	<u>\$ 166,215</u>	<u>\$ 91,135</u>
Adjustments		
Depreciation	2,403	4,610
Change in inventory	-	(9,253)
Change in accounts receivable	45,392	(86,448)
Change in accounts payable	(3,126)	5,293
Total adjustments	<u>44,669</u>	<u>(85,798)</u>
Net cash provided (used) by operating activities	<u><u>\$ 210,884</u></u>	<u><u>\$ 5,337</u></u>

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

Design Connect Create
Note Disclosures to the Financial Statements
December 31, 2020 and 2019

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. Their mission is to help girls realize the potential in STEM and themselves. They envision a future with equitable opportunities for all girls to be difference makers in STEM and beyond.

In 2020, the Organization offered 9 sessions and served 86 young women, after switching from in-person to on-line camps to allow for a safe experience for the participants. The Organization also distributed kits to facilitate the hand-on learning of the prior camps. Through continued partnerships with Austin ISD, Dallas ISD, Desoto ISD, Fort Worth ISD, Houston ISD, Parish Episcopal School, and Rice University, plus new partnerships with Desoto ISD, the Hockaday School, and Richardson ISD, the Organization offered 9 physics camp sessions.

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 1,224 young women and training for 46 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.

Design Connect Create
Note Disclosures to the Financial Statements
December 31, 2020 and 2019

Note 2, Summary of Significant Accounting Policies (continued)

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.

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 years ended December 31, 2020 and 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.

Design Connect Create
Note Disclosures to the Financial Statements
December 31, 2020 and 2019

Note 2, Summary of Significant Accounting Policies (continued)

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.

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.

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 year ended December 31, 2020, the Organization had no in-kind services, however during 2019 in-kind services consisting of staff and professional services valued at \$7,000 were received, 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, 2020 and 2019 in-kind space usage was valued at \$17,811 and \$15,972 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.

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.

Design Connect Create
Note Disclosures to the Financial Statements
December 31, 2020 and 2019

Note 2, Summary of Significant Accounting Policies (continued)

Going concern considerations: The Organization analyzes the effect that current and future events, both internal and external, may have on operations so that the Organization may continue as a going concern (i.e., a viable organization). As of the date of this report, management has not identified a significant matter that, in its judgement, could materially threaten the ongoing operations of the Organization for at least one year from the date of the report on page two. However, if conditions change during the following year, the Organization may reschedule or reformat certain events and activities or adjust the general operational budget, as needed. See also the Liquidity disclosure for additional cash management strategies.

Liquidity: The statement of financial position is classified to show subtotals for current assets and current liabilities as part of the Organization's enhanced disclosure of liquidity. The Organization anticipates using current assets and satisfying current liabilities within one year of the statement date. Current assets, excluding inventory and prepaids (as applicable), represent financial assets available for general expenditure within one year of the statement date. Disclosures are presented for both the quantitative and qualitative aspects of liquidity and the availability of financial assets.

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, 2020 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.

Note 3, Investments

At December 31, 2020 and 2019, investments consist of a money market account. Investment income is included in other income on the statements of activities. Interest income for the years ended December 31, 2020 and 2019 is \$133 and \$923, respectively. Investments are all Level 1 inputs which are based upon quoted prices in active markets for identical assets.

Note 4, Advertising Expense

The Organization expenses advertising cost as incurred. Advertising expense for the years ended December 31, 2020 and 2019, was approximately \$364 and \$12,256, respectively.

Design Connect Create
 Note Disclosures to the Financial Statements
 December 31, 2020 and 2019

Note 5, Net Assets

Net assets for the years ended December 31, 2020 and 2019, are presented as follows:

	Net Assets Without Donor Restrictions		Net Assets With Donor Restrictions
	General Unrestricted	Internally Designated	Temporarily Donor Restricted
Balance, January 1, 2019	\$ 60,717	\$ 50,000	\$ 74,365
Net change	26,908	-	64,227
Balance, December 31, 2019	87,625	50,000	138,592
Transfers	(50,000)	50,000	-
Net change	107,460	-	58,755
Balance, December 31, 2020	<u>\$ 195,085</u>	<u>\$ 100,000</u>	<u>\$ 197,347</u>

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

	2020	2019
Net assets without donor restrictions		
General unrestricted	\$ 195,085	\$ 87,625
Internally designated		
Liquidity reserve	100,000	50,000
Total net assets without donor restrictions	295,085	137,625
Net assets with donor restrictions are restricted for physics camps	197,347	138,592
Total net assets	<u>\$ 492,432</u>	<u>\$ 276,217</u>

At December 31, 2020, the Organization's donor restricted net assets includes \$40,000 that are restricted by both time and purpose.

Design Connect Create
 Note Disclosures to the Financial Statements
 December 31, 2020 and 2019

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>2020</u>	<u>2019</u>
Current assets	\$ 446,738	\$ 281,246
Less: inventory	(9,253)	(9,253)
Less: those unavailable for general expenditures within one year		
Internally designated:		
Board-designated liquidity reserve	(100,000)	(50,000)
Donor-imposed restrictions or contractual requirements:		
Donor restrictions	<u>(197,347)</u>	<u>(138,592)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 140,138</u>	<u>\$ 83,401</u>

Note 7, Subsequent Events

The Organization has evaluated subsequent events through the date of the Independent Auditor's Report on page two, which is the date the statements were available to be issued. In addition, see the Organization's accounting policies in Note 2 for liquidity and going concern considerations.