

**OVERTOWN YOUTH CENTER, INC.
(AN AFFILIATE OF
MOURNING FAMILY FOUNDATION, INC.)**

FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013



**OVERTOWN YOUTH CENTER, INC.
(AN AFFILIATE OF MOURNING FAMILY FOUNDATION, INC.)**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Overtown Youth Center, Inc.
(An Affiliate of Mourning Family Foundation, Inc.)

We have audited the accompanying financial statements of Overtown Youth Center, Inc. (An Affiliate of Mourning Family Foundation, Inc.) ("OYC"), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Overtown Youth Center, Inc. (An Affiliate of Mourning Family Foundation, Inc.) as of June 30, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
Overtown Youth Center, Inc.
(An Affiliate of Mourning Family Foundation, Inc.)
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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards* and The Children's Trust Contracts, we have also issued our report dated November 19, 2014 on our consideration of OYC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OYC's internal control over financial reporting and compliance.

Monison, Brown, Ariz & Fama

Miami, Florida
November 19, 2014

OVERTOWN YOUTH CENTER, INC.
(AN AFFILIATE OF MOURNING FAMILY FOUNDATION, INC.)

STATEMENTS OF FINANCIAL POSITION
JUNE 30,

ASSETS	2014	2013
Cash and cash equivalents	\$ 374,525	\$ 406,225
Restricted cash - dinner program	66,024	-
Restricted cash - scholarships	64,705	42,608
Restricted cash - endowment	1,413	4,971
Accounts receivable, net	423,333	34,593
Contributions receivable	200,000	200,000
Prepaid expenses and other assets	5,110	5,110
Restricted investments	670,691	588,790
Property and equipment, net	164,341	165,241
TOTAL ASSETS	\$ 1,970,142	\$ 1,447,538
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 153,675	\$ 103,945
Line of credit	-	5,000
Note payable	21,018	25,615
TOTAL LIABILITIES	174,693	134,560
NET ASSETS		
Unrestricted	983,885	676,609
Temporarily restricted	241,564	66,369
Permanently restricted	570,000	570,000
TOTAL NET ASSETS	1,795,449	1,312,978
TOTAL LIABILITIES AND NET ASSETS	\$ 1,970,142	\$ 1,447,538

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

OVERTOWN YOUTH CENTER, INC.
(AN AFFILIATE OF MOURNING FAMILY FOUNDATION, INC.)

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30,

	2014	2013
UNRESTRICTED NET ASSETS		
SUPPORT AND REVENUE		
Grants	\$ 1,101,820	\$ 481,378
Contributions	1,521,016	1,508,437
Special events	28,624	37,313
In-kind contributions	84,232	268,844
Unrealized gains on investments	-	14,581
Net assets released from restrictions	<u>244,648</u>	<u>37,076</u>
TOTAL UNRESTRICTED SUPPORT AND REVENUE	<u>2,980,340</u>	<u>2,347,629</u>
TEMPORARILY RESTRICTED NET ASSETS		
SUPPORT AND REVENUE		
Contributions	341,500	-
Interest income	25,670	8,120
Unrealized gains on investments	52,673	15,641
Net assets released from restrictions	<u>(244,648)</u>	<u>(37,076)</u>
TOTAL TEMPORARILY RESTRICTED SUPPORT AND REVENUE	<u>175,195</u>	<u>(13,315)</u>
PERMANENTLY RESTRICTED NET ASSETS		
SUPPORT AND REVENUE		
Contributions	<u>-</u>	<u>100,000</u>
TOTAL SUPPORT AND REVENUE	<u>3,155,535</u>	<u>2,434,314</u>
EXPENSES		
Program services	2,263,389	1,831,450
Supporting services:		
Management and general	323,461	303,135
Fundraising	<u>86,214</u>	<u>98,034</u>
TOTAL EXPENSES	<u>2,673,064</u>	<u>2,232,619</u>
CHANGE IN NET ASSETS	482,471	201,695
NET ASSETS, beginning of year	<u>1,312,978</u>	<u>1,111,283</u>
NET ASSETS, end of year	<u>\$ 1,795,449</u>	<u>\$ 1,312,978</u>

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

OVERTOWN YOUTH CENTER, INC.
(AN AFFILIATE OF MOURNING FAMILY FOUNDATION, INC.)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 482,471	\$ 201,695
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	23,635	11,872
Permanently restricted gifts	-	(100,000)
Gain from disposal of property and equipment	-	(2,500)
Unrealized gain on investments	(52,673)	(30,222)
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable, net	(388,740)	114,126
Decrease in due from affiliate	-	30,000
Decrease in prepaid expenses and other assets	-	23,465
Increase (decrease) in accounts payable and accrued expenses	49,730	(78,552)
TOTAL ADJUSTMENTS	(368,048)	(31,811)
NET CASH PROVIDED BY OPERATING ACTIVITIES	114,423	169,884
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(22,735)	(63,362)
Purchase of investments	(29,228)	(104,618)
NET CASH USED IN INVESTING ACTIVITIES	(51,963)	(167,980)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on note payable	(4,597)	(662)
(Payments on) proceeds from line of credit	(5,000)	5,000
Permanently restricted gifts	-	100,000
NET CASH USED IN (PROVIDED BY) FINANCING ACTIVITIES	(9,597)	104,338
NET INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	52,863	106,242
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR	453,804	347,562
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR	\$ 506,667	\$ 453,804
SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS:		
In-kind contributions	\$ 84,232	\$ 268,844
Interest expense	\$ 1,694	\$ 386

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

**OVERTOWN YOUTH CENTER, INC.
(AN AFFILIATE OF MOURNING FAMILY FOUNDATION, INC.)**

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

1. NATURE OF ACTIVITIES

The Overtown Youth Center, Inc. (An Affiliate of Mourning Family Foundation, Inc. ("MFF")) ("OYC") is a non-profit charitable organization established and incorporated in the State of Florida in February 2001, as a 501(c)(3) organization. MFF was formerly known as Alonzo Mourning Charities, Inc. OYC is an inner-city youth development center in Miami, Florida established for the purpose of helping to improve the lives of at-risk youth in South Florida as well as to give children and families of Overtown a place that instills a sense of pride through education enhancement activities, team sports, employability skills and diverse exposure opportunities. The major program activities include educational enrichment, recreational activities, tutoring services and prevention initiatives for drugs, crime and violence.

OYC shares common charitable goals and jointly coordinates a number of charitable programs with MFF, a Florida not-for-profit corporation exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code of 1986, as amended. As a result, the Board of Directors of both organizations deemed that a merger was necessary in the best interests of both OYC and MFF to further its charitable purposes by implementing a centralized organizational structure with respect to such joint charitable goals and programs by amending OYC's Articles of Incorporation to convert OYC into a membership organization with MFF as the sole member thereof, effective July 1, 2009.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements are prepared using the accrual basis of accounting. Net assets, revenue, gains and losses are classified into three classes of net assets based on the existence or absence of donor-imposed restrictions. The three net asset categories are reflected in the accompanying financial statements as follows:

- **Unrestricted** - Net assets which are not subject to donor-imposed stipulations or restrictions; and include all revenue, gains and losses that are not changes in permanently or temporarily restricted net assets.
- **Temporarily restricted** - Net assets whose use by OYC is limited by donor-imposed stipulations that either expire with the passage of time or that can be fulfilled or otherwise removed by actions of OYC pursuant to those stipulations.
- **Permanently restricted** - Net assets whose use by OYC is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of OYC. As of June 30, 2014 and 2013, OYC had \$570,000 of permanently restricted net assets.

Use of Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures 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.

Concentration of Credit Risk

Financial instruments which potentially subject OYC to concentrations of credit risk consist principally of cash and cash equivalents and investments. OYC places its cash and cash equivalents and investments with highly rated financial institutions, and, by policy, limits the amount of credit exposure to any one institution. Although cash balances may exceed federally insured limits at times during the year, OYC has not experienced any losses in such accounts.

**OVERTOWN YOUTH CENTER, INC.
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of Credit Risk (Continued)

Concentration of credit risk with respect to contracts and grants receivable is limited since a substantial portion of contracts and grants receivable is due from federal, state and local government agencies and is based in accordance with contract terms.

Income Taxes

OYC is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

OYC recognizes and measures tax positions based on their technical merit and assesses the likelihood that the positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. Interest and penalties on tax liabilities, if any, would be recorded in interest expense and other non-interest expense, respectively.

The U.S. Federal jurisdiction and the State of Florida jurisdiction are the major tax jurisdictions where OYC files income tax returns. The OYC is generally no longer subject to U.S. Federal or State examinations by tax authorities for years before 2011.

Cash and Cash Equivalents

Cash and cash equivalents include cash held in checking and money market accounts with maturities of three months or less.

Restricted Cash

Restricted cash consists of amounts received in connection with the endowment and other programs. Restricted cash related to the endowment is considered permanently restricted. Cash received from donors restricted as to purpose or time is considered temporarily restricted.

Accounts Receivable, Net

Accounts receivable consist primarily of amounts due from grantors. The allowance for doubtful accounts is OYC's best estimate of the amount of probable credit losses in OYC's existing accounts receivable. OYC determines the allowance based on a review of individual receivables for collectability. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for collection is considered remote. No allowance was deemed necessary by management at June 30, 2014 and 2013.

Contributions Receivable

Contributions receivable represent unconditional promises to give that are expected to be collected within one year. Unconditional promises to give are recognized as revenues in the period received. The allowance for doubtful accounts is OYC's best estimate of the amount of probable losses. Past due balances are reviewed individually for collectability. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. No allowance was deemed necessary by management at June 30, 2014 and 2013.

Investments

OYC reports its investments in marketable securities with readily determinable fair values and all investments in debt securities at fair value in the Statements of Financial Position.

OVERTOWN YOUTH CENTER, INC.
(AN AFFILIATE OF MOURNING FAMILY FOUNDATION, INC.)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

Investment gains and losses (including realized and unrealized gains and losses on investments, interest and dividends) are included in the accompanying Statements of Activities as increases or decreases in unrestricted net assets unless income or loss is restricted by donor or law.

Property and Equipment, Net

Property, plant and equipment are stated at cost at date of acquisition or fair value at date of donation in the case of gifts, less accumulated depreciation. Maintenance and repairs are charged to expense as incurred; significant renewals and betterments are capitalized.

Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets, as follows:

Automobiles	5 years
Computers and software	3 years
Furniture and fixtures	7 years
Leasehold improvements	30 years

Support and Revenue

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as increases in temporarily restricted or permanently restricted net assets. However, if a restriction is fulfilled in the same time period in which the contribution is received, OYC reports the support as unrestricted.

In-kind Contributions

OYC records the value of donated goods when there is an objective basis available to measure the value. Donated items are reflected as support in the financial statements at their fair market values at date of receipt. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by OYC. Volunteers also provided services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met. In addition, OYC has a property lease agreement with the City of Miami (NOTE 10). As stipulated by certain provisions of the lease agreement, the value of the property is not readily determinable and therefore is not recorded in the financial statements.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the Statements of Activities. Certain administrative personnel perform duties which include both program and support functions. The expenses associated with these personnel are allocated based on the estimated hours devoted to each function. Other common administrative expenses are allocated based on the estimated utilization by the respective function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

OVERTOWN YOUTH CENTER, INC.
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adopted Accounting Pronouncements

Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows

In October 2012, the Financial Accounting Standards Board ("FASB") issued an accounting standard update which provides guidance to not-for-profit entities for classifying cash flows from the sale of donated financial assets. The update is effective prospectively for fiscal years, and interim periods within those years, beginning after June 15, 2013, with early adoption and retrospective application permitted. The adoption of this accounting standard update did not have a material impact on these financial statements.

Services Received from Personnel of an Affiliate

In April 2013, the FASB issued an accounting standard update which requires not-for-profit entities to apply similar recognition and measurement bases for services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity and for which the recipient not-for-profit entity is not charged by the affiliate. The update requires that those services be measured at the cost recognized by the affiliate for the personnel providing those services unless such measurement would significantly overstate or understate the value of the service received, in which case the recipient not-for-profit entity may elect to recognize such services at the fair value of the service. The update is effective prospectively for fiscal years beginning after June 15, 2014, and interim periods thereafter, with early adoption permitted. The adoption of this accounting standard update did not have a material impact on these financial statements.

Subsequent Events

OYC has evaluated subsequent events through November 19, 2014 which is the date the financial statements were available to be issued.

3. ACCOUNTS RECEIVABLE, NET

Accounts receivable of approximately \$423,000 and \$35,000 at June 30, 2014 and 2013, respectively, are primarily from grantors. No allowance was deemed necessary as all amounts were collected subsequent to the years ended June 30, 2014 and 2013.

4. CONTRIBUTIONS RECEIVABLE

Contributions receivable of \$200,000 at June 30, 2014 and 2013, represents unconditional promises to give from one donor.

5. RESTRICTED INVESTMENTS - ENDOWMENT

During the year ended June 30, 2009, OYC received contributions from two donors to establish an endowment (NOTE 14). In May 2012, the total cash accumulated in the endowment was invested in fixed income and domestic equities. During the years ended June 30, 2014 and 2013, the investments appreciated in value by \$52,673 and \$30,222, respectively.

Investments are presented in the financial statements at their fair market values and consist of the following at June 30:

	<u>2014</u>	<u>2013</u>
Fixed income	\$ 282,933	\$ 282,117
Mutual funds	387,758	306,673
	<u>\$ 670,691</u>	<u>\$ 588,790</u>

OVERTOWN YOUTH CENTER, INC.
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

6. FAIR VALUE MEASUREMENTS

Fair Value Measurements

FASB guidance related to fair value measurements and disclosures provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under this FASB guidance are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that OYC has the ability to access.
- Level 2 Inputs to the valuation methodology include:
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets or liabilities in inactive markets;
 - inputs other than quoted prices that are observable for the asset or liability;
 - inputs that are derived principally from or corroborated by observable market data by correlation or other means.If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Items Measured at Fair Value on a Recurring Basis

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2014 and 2013.

Fixed income investments are valued at the closing price reported in the active market in which the individual securities are traded.

Mutual funds are valued at the closing price reported in the active market.

The carrying amount of all financial assets and liabilities approximates fair value because of their short term nature or market rates.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although OYC believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

OVERTOWN YOUTH CENTER, INC.
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NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2014 AND 2013

6. FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables represent OYC's financial instruments measured at fair value on a recurring basis at June 30, 2014 and 2013 for each of the fair value hierarchy levels:

		Fair Value Measurements at June 30, 2014		
Description	6/30/2014	Quoted Prices	Significant Other	Significant Other
		In Active		
		Markets for	Inputs	Inputs
		Identical Assets	(Level 2)	(Level 3)
		(Level 1)		
Assets:				
Fixed income	\$ 282,933	\$ 282,933	\$ -	\$ -
Mutual funds	387,758	387,758	-	-
	\$ 670,691	\$ 670,691	\$ -	\$ -

		Fair Value Measurements at June 30, 2013		
Description	6/30/2013	Quoted Prices	Significant Other	Significant Other
		In Active		
		Markets for	Inputs	Inputs
		Identical Assets	(Level 2)	(Level 3)
		(Level 1)		
Assets:				
Fixed income	\$ 282,117	\$ 282,117	\$ -	\$ -
Mutual funds	306,673	306,673	-	-
	\$ 588,790	\$ 588,790	\$ -	\$ -

7. PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following at June 30:

	2014	2013
Automobiles	\$ 92,814	\$ 92,814
Computers and software	101,168	78,433
Furniture and fixtures	77,681	77,681
Leasehold improvements	124,669	124,669
	396,332	373,597
Less: accumulated depreciation and amortization	(231,991)	(208,356)
	\$ 164,341	\$ 165,241

Depreciation expense of approximately \$24,000 and \$12,000 was recorded for the years ended June 30, 2014 and 2013, respectively.

OVERTOWN YOUTH CENTER, INC.
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NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2014 AND 2013

8. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following at June 30:

	2014	2013
Accounts payable	\$ -	\$ 11,307
Scholarships	60,304	7,229
Professional fees	18,000	15,000
Payroll and vacation	75,371	70,409
	\$ 153,675	\$ 103,945

9. NOTE PAYABLE

OYC entered into a five-year note payable on April 30, 2013 for the purchase of a vehicle. The note bears interest at a fixed rate of 7.1%. Monthly payments of principal and interest in the approximate amount of \$520 are due until the note matures in May 2018. The original note amount was \$26,277. Future payments under the note payable as of June 30, 2014 are as follows:

Years ending June 30,		
	2015	\$ 6,291
	2016	6,291
	2017	6,291
	2018	5,241
		24,114
Total payments		24,114
Less amount representing interest		(3,096)
		\$ 21,018

Total interest expense related to the note was approximately \$1,700 and \$400 during the years ended June 30, 2014 and 2013, respectively.

10. PROPERTY LEASE

In 2000, OYC entered into a five-year lease agreement with the City of Miami for the use of property upon which facilities were constructed to provide public educational and recreational opportunities to inner-city youth and their families in the Overtown area. The lease stipulates that OYC pay the City of Miami an annual rent of one dollar, plus state sales and use tax, which shall be paid in advance and in full on the first day of each lease year. OYC had the option of extending the agreement for an additional five years and exercised this option as of June 30, 2006. In May 2011, the City of Miami extended the lease for an additional five years through November 2016.

11. SIGNIFICANT CONTRIBUTORS

OYC receives revenue from various sources, which help fund the operational activities of the center. For the years ended June 30, 2014 and 2013, OYC received a significant amount of support from six and four contributors, respectively, which amounted to approximately \$1,090,000 and \$1,069,000, respectively. These amounts are included as part of total support and revenue in the accompanying Statements of Activities.

OVERTOWN YOUTH CENTER, INC.
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

12. LINE OF CREDIT

In April 2007, OYC entered into a one year, \$250,000 revolving line of credit with a third-party financial institution. This revolving line of credit is secured by OYC's assets and if drawn upon, the entire obligation shall be due and payable at the expiration date; however, until such demand, OYC shall make monthly payments on the outstanding balance due. The line of credit expired in May 2014 and was renewed for an additional three years. At June 30, 2013, the outstanding balance on the line of credit was \$5,000, which is related to the 2013 and 2012 renewal fees charged by the financial institution. At June 30, 2014 the amount available on the line of credit is \$250,000. There was no outstanding balance on the line of credit at June 30, 2014. At June 30, 2014 and 2013, the interest rate on the line of credit was 6%.

13. PERMANENTLY RESTRICTED NET ASSETS

During the year ended June 30, 2009, OYC received monies from two donors classified as permanently restricted net assets as endowment donations. Such donations are to help OYC in perpetuity to carry out OYC's mission. One of the two donations in the amount of \$100,000 is part of a \$500,000 pledge over five years. However, the donor stipulates that the donation is conditional upon an annual review of OYC's performance as well as the performance of the endowment fund. In accordance with an accounting standard, conditional pledges cannot be recorded as revenue and only the revenue received in the period is allowed to be recognized. During the year ended June 30, 2013, OYC received the fifth and final annual installment of \$100,000 from the \$500,000 conditional pledge made by a donor during the year ended June 30, 2009.

As of June 30, 2014 and 2013, permanently restricted net assets amounted to \$570,000.

14. ENDOWMENTS

OYC's endowment consists of individual funds established for a variety of purposes. Its endowment is comprised of donor-restricted funds. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

In June 2011, the State of Florida adopted the Florida Uniform Prudent Management of Institutional Funds Act ("FUPMIFA"). OYC has interpreted the FUPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, OYC classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by OYC in a manner consistent with the standard of prudence prescribed by FUPMIFA.

OYC considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment fund earnings:

- (1) The duration and preservation of the fund
- (2) The purposes of OYC and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of OYC
- (7) The investment policies of OYC

**OVERTOWN YOUTH CENTER, INC.
(AN AFFILIATE OF MOURNING FAMILY FOUNDATION, INC.)**

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

14. ENDOWMENTS (CONTINUED)

For the years ended June 30, 2014 and 2013, OYC has elected not to add appreciation for cost of living or other spending policies to its permanently restricted endowment for inflation and other economic conditions.

Summary of Endowment Net Assets at June 30, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 102,104	\$ 570,000	\$ 672,104
Total endowment net assets	\$ -	\$ 102,104	\$ 570,000	\$ 672,104

Summary of Endowment Net Assets at June 30, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 23,761	\$ 570,000	\$ 593,761
Total endowment net assets	\$ -	\$ 23,761	\$ 570,000	\$ 593,761

Changes in endowment net assets during the year ended June 30, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning	\$ -	\$ 23,761	\$ 570,000	\$ 593,761
Interest and dividends	-	25,670	-	25,670
Unrealized gains on investments	-	52,673	-	52,673
Contributions	-	-	-	-
Endowment net assets, ending	\$ -	\$ 102,104	\$ 570,000	\$ 672,104

Changes in endowment net assets during the year ended June 30, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning	\$ (14,581)	\$ -	\$ 470,000	\$ 455,419
Interest and dividends	-	8,120	-	8,120
Unrealized losses on investments	14,581	15,641	-	30,222
Contributions	-	-	100,000	100,000
Endowment net assets, ending	\$ -	\$ 23,761	\$ 570,000	\$ 593,761

Summary of Endowment Assets:

	2014	2013
Restricted cash - endowment	\$ 1,413	\$ 4,971
Restricted investments	670,691	588,790
Total	\$ 672,104	\$ 593,761

Permanently Restricted Net Assets:

	2014	2013
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or law	\$ 570,000	\$ 570,000

OVERTOWN YOUTH CENTER, INC.
(AN AFFILIATE OF MOURNING FAMILY FOUNDATION, INC.)

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2014 AND 2013

14. ENDOWMENTS (CONTINUED)

Return Objectives and Risk Parameters

OYC has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the OYC must hold in perpetuity or for a donor-specified period(s). OYC expects its endowment funds, over time, to provide a rate of return in excess of the original permanently restricted principal. Actual returns in any given year may vary.

Strategies Employed for Achieving Objectives

OYC's endowment assets were kept in a savings account through May 2012. In May 2012, the Board of Directors invested the funds in fixed income and domestic equities. OYC has adopted an investment policy designed to optimize returns without exposure to undue risk. The policy takes into consideration that fluctuating rates of return are characteristic of the securities market, therefore the greatest concern is long-term appreciation of the assets and consistency of total portfolio returns.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The principal amount cannot be expended; however, the earnings generated by the original donated principal are available to be expended. Management has executed an endowment policy whereby authorizing up to 5% of earnings be set aside for OYC's operational activities if deemed necessary. In establishing this policy, OYC considered the long-term expected return on its endowment. Accordingly, over the long term, OYC expects the current spending policy to allow its endowment to grow.

15. FUNCTIONAL EXPENSES

Functional expenses for the year ended June 30, 2014 are as follows:

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
	<u>Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	
Depreciation and amortization	\$ 23,635	\$ -	\$ -	\$ 23,635
Field trips	74,630	-	-	74,630
In-kind	84,232	-	-	84,232
Insurance	43,856	23,631	-	67,487
Licenses & permits	-	1,645	-	1,645
Miscellaneous	49,344	11,328	9,640	70,312
Occupancy	138,240	-	-	138,240
Payroll & related expenses	1,119,465	234,506	65,905	1,419,876
Penalties & fees	-	5,416	-	5,416
Postage & shipping	-	1,735	1,433	3,168
Printing & publications	-	1,132	5,811	6,943
Professional fees	57,681	20,000	-	77,681
Rental & maintenance	33,468	7,949	418	41,835
Scholarships	136,056	-	-	136,056
Special events	2,500	-	2,331	4,831
Student services	368,106	-	-	368,106
Supplies	98,250	2,698	676	101,624
Telephone	8,910	7,092	-	16,002
Travel	25,016	6,329	-	31,345
TOTAL EXPENSES	\$ 2,263,389	\$ 323,461	\$ 86,214	\$ 2,673,064

OVERTOWN YOUTH CENTER, INC.
(AN AFFILIATE OF MOURNING FAMILY FOUNDATION, INC.)

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2014 AND 2013

15. FUNCTIONAL EXPENSES (CONTINUED)

Functional expenses for the year ended June 30, 2013 are as follows:

	Program Services	Supporting Services		Total
	Programs	Management and General	Fundraising	
Depreciation and amortization	\$ 11,872	\$ -	\$ -	\$ 11,872
Field trips	55,094	-	-	55,094
In-kind	268,844	-	-	268,844
Insurance	37,905	21,390	-	59,295
Licenses & permits	-	595	-	595
Miscellaneous	21,341	-	6,977	28,318
Occupancy	114,498	-	-	114,498
Payroll & related expenses	1,027,180	232,252	60,932	1,320,364
Penalties & fees	-	12,650	-	12,650
Postage & shipping	-	1,241	904	2,145
Printing & publications	3,000	2,617	3,323	8,940
Professional fees	8,250	11,000	-	19,250
Rental & maintenance	39,416	9,361	493	49,270
Scholarships	33,132	-	-	33,132
Special events	-	-	25,401	25,401
Student services	142,258	-	-	142,258
Supplies	49,885	4,353	4	54,242
Telephone	8,363	5,660	-	14,023
Travel	10,412	2,016	-	12,428
TOTAL EXPENSES	\$ 1,831,450	\$ 303,135	\$ 98,034	\$ 2,232,619

16. COMMITMENTS AND CONTINGENCIES

OYC participates in a number of federal, state and local grant assistance programs. Amounts received and expended under various federal, state and local programs are subject to audits by governmental agencies and/or other agencies to determine if activities undertaken by OYC comply with conditions of the grants. Management believes that no material liability will arise from any such audits.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Overtown Youth Center, Inc.
(An Affiliate of Mourning Family Foundation, Inc.)

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Overtown Youth Center, Inc. (An Affiliate of Mourning Family Foundation, Inc.) ("OYC") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 19, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered OYC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of OYC's internal control. Accordingly, we do not express an opinion on the effectiveness of OYC's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether OYC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of OYC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OYC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Miami, Florida
November 19, 2014