

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

FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016



CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

**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.)

Report on the Financial Statements

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, 2017 and 2016, 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 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 OYC as of June 30, 2017 and 2016, 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 December 20, 2017 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, Arjiv & Fana

Miami, Florida
December 20, 2017

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

STATEMENTS OF FINANCIAL POSITION
JUNE 30,

ASSETS	2017	2016
Cash and cash equivalents	\$ 1,387,942	\$ 920,791
Restricted cash - dinner program	136,172	120,159
Restricted cash - scholarships	24,012	32,931
Accounts receivable	271,570	502,447
Contributions receivable	-	60,000
Other assets	5,110	5,110
Investments	1,485,783	1,204,000
Property and equipment, net	159,320	183,063
TOTAL ASSETS	\$ 3,469,909	\$ 3,028,501
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 401,912	\$ 275,886
Note payable	5,141	10,816
Deferred revenue	178,000	178,000
TOTAL LIABILITIES	585,053	464,702
NET ASSETS		
Unrestricted	1,843,597	1,589,206
Temporarily restricted	371,259	304,593
Permanently restricted	670,000	670,000
TOTAL NET ASSETS	2,884,856	2,563,799
TOTAL LIABILITIES AND NET ASSETS	\$ 3,469,909	\$ 3,028,501

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,

	2017	2016
UNRESTRICTED NET ASSETS:		
SUPPORT AND REVENUE		
Grants	\$ 1,416,242	\$ 1,289,064
Contributions	1,937,881	2,029,288
Special events	53,762	39,196
In-kind contributions	125,257	56,657
Investment income (loss), net	48,339	(1,181)
Net assets released from restrictions	314,777	230,968
TOTAL UNRESTRICTED SUPPORT AND REVENUE	3,896,258	3,643,992
EXPENSES		
Program services	3,127,108	2,634,498
Supporting services:		
Management and general	331,430	316,527
Fundraising	183,329	159,022
TOTAL EXPENSES	3,641,867	3,110,047
CHANGE IN UNRESTRICTED NET ASSETS	254,391	533,945
TEMPORARILY RESTRICTED NET ASSETS:		
SUPPORT AND REVENUE		
Contributions	302,000	285,000
Investment income (loss), net	79,443	(1,867)
Net assets released from restrictions	(314,777)	(230,968)
TOTAL TEMPORARILY RESTRICTED SUPPORT AND REVENUE	66,666	52,165
PERMANENTLY RESTRICTED NET ASSETS:		
SUPPORT AND REVENUE		
Contributions	-	50,000
TOTAL PERMANENTLY RESTRICTED SUPPORT AND REVENUE	-	50,000
CHANGE IN NET ASSETS	321,057	636,110
NET ASSETS, beginning of year	2,563,799	1,927,689
NET ASSETS, end of year	\$ 2,884,856	\$ 2,563,799

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

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

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	Program Services	Supporting Services		Total
	Programs	Management and General	Fundraising	
Payroll and related expenses	\$ 1,749,148	\$ 249,673	\$ 95,478	\$ 2,094,299
Occupancy	151,548	-	-	151,548
Rental and maintenance	44,627	10,599	558	55,784
Supplies	153,671	11,886	2,349	167,906
Telephone	12,770	9,668	-	22,438
Travel	44,136	6,938	-	51,074
Postage and shipping	722	1,692	736	3,150
Printing and publications	875	-	4,974	5,849
Insurance	52,729	16,171	-	68,900
Licenses and permits	1,823	456	-	2,279
Professional fees	34,460	3,800	-	38,260
Field trips	120,519	-	-	120,519
Student services	527,051	-	-	527,051
Scholarships	22,949	-	-	22,949
Special events and community events	-	-	62,641	62,641
In-kind	125,257	-	-	125,257
Penalties and fees	-	4,226	-	4,226
Depreciation and amortization	29,768	-	-	29,768
Equipment rental	22,015	-	-	22,015
Marketing	-	-	5,501	5,501
Other	33,040	16,321	11,092	60,453
TOTAL EXPENSES	\$ 3,127,108	\$ 331,430	\$ 183,329	\$ 3,641,867

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

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

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	Program Services	Supporting Services		Total
	Programs	Management and General	Fundraising	
Payroll and related expenses	\$ 1,457,115	\$ 234,737	\$ 104,408	\$ 1,796,260
Occupancy	175,158	-	-	175,158
Rental and maintenance	37,959	8,957	471	47,387
Supplies	101,115	11,249	1,329	113,693
Telephone	11,875	9,061	-	20,936
Travel	35,439	7,390	-	42,829
Postage and shipping	-	1,782	645	2,427
Printing and publications	-	1,468	272	1,740
Insurance	47,165	15,104	-	62,269
Licenses and permits	5,574	1,394	-	6,968
Professional fees	56,065	3,800	-	59,865
Field trips	86,393	-	-	86,393
Student services	466,258	-	-	466,258
Scholarships	34,738	-	-	34,738
Special events	-	-	40,049	40,049
In-kind	56,657	-	-	56,657
Penalties and fees	-	4,637	-	4,637
Depreciation and amortization	24,673	-	-	24,673
Equipment rental	14,892	-	-	14,892
Miscellaneous	23,422	16,948	11,848	52,218
TOTAL EXPENSES	\$ 2,634,498	\$ 316,527	\$ 159,022	\$ 3,110,047

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,

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 321,057	\$ 636,110
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	29,768	24,673
Permanently restricted gifts	-	(50,000)
Unrealized (gain) loss on investments	(107,177)	69,760
Changes in operating assets and liabilities:		
Restricted cash	(7,094)	(34,032)
Accounts receivable	230,877	(284,018)
Contributions receivable	60,000	340,000
Accounts payable and accrued expenses	126,026	76,633
Deferred revenue	-	178,000
TOTAL ADJUSTMENTS	<u>332,400</u>	<u>321,016</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>653,457</u>	<u>957,126</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(6,025)	(47,449)
Purchase of investments, net	<u>(174,606)</u>	<u>(525,884)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(180,631)</u>	<u>(573,333)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on note payable	(5,675)	(5,276)
Permanently restricted gifts	<u>-</u>	<u>50,000</u>
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	<u>(5,675)</u>	<u>44,724</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	467,151	428,517
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>920,791</u>	<u>492,274</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,387,942</u>	<u>\$ 920,791</u>
SUPPLEMENTAL DISCLOSURES OF NON-CASH TRANSACTIONS:		
In-kind contributions	<u>\$ 125,257</u>	<u>\$ 56,657</u>
Interest expense	<u>\$ 616</u>	<u>\$ 1,014</u>

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, 2017 AND 2016

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. 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 ("IRC") 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.

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.

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.

OVERTOWN YOUTH CENTER, INC.
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

OYC is an exempt organization under Section 501(c)(3) of the IRC. 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. OYC is generally no longer subject to U.S. Federal or State examinations by tax authorities for years before 2014.

Cash and Cash Equivalents

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

Restricted Cash

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

Accounts Receivable

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, 2017 and 2016.

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, 2017 and 2016.

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.

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 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.

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment, Net (Continued)

Depreciation and amortization 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	Shorter of useful life or lease term

Deferred Revenue

OYC recorded deferred revenue for contribution monies received in advance from Global Village Charitable Trust that relate to the 2018 fiscal year. Deferred Revenue is \$178,000 and \$178,000 at June 30, 2017 and 2016, respectively.

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 11). 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.

Recent Accounting Pronouncements

Lease accounting

In February 2016, the Financial Accounting Standards Board ("FASB") issued an accounting standard update which amends existing lease guidance. The update requires lessees to recognize a right-of-use asset and related lease liability for many operating leases now currently off-balance sheet under current U.S. GAAP. Accounting by lessors remains largely unchanged from current U.S. GAAP. The update is effective using a modified retrospective approach for fiscal years beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020, with early application permitted. OYC is currently evaluating the effect the update will have on its financial statements.

**OVERTOWN YOUTH CENTER, INC.
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (Continued)

Presentation of Financial Statements of Not-for-Profit Entities

In August 2016, the FASB issued an accounting standard update which aims to improve information provided to creditors, donors, grantors, and others while also reducing complexity and costs. The update is the first phase of a project regarding not-for-profits which aims to improve and simplify net asset classification requirements and improve the information presented and disclosed in financial statements about liquidity, cash flows, and financial performance. The update is effective retrospectively for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018, with earlier application permitted. OYC is currently evaluating the effect the update will have on its financial statements.

Subsequent Events

OYC has evaluated subsequent events through December 20, 2017 which is the date the financial statements were available to be issued.

3. RELATED PARTIES

OYC shares common charitable goals and jointly coordinates a number of charitable programs with Mourning Family Foundation, Inc. ("MFF") and Honey Shine, Inc. ("HS"), both Florida non-profit organizations exempt from Federal income tax as a 501(c)(3). On July 1, 2009, the Board of Directors of both organizations deemed that it was 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.

As of June 30, 2017 and 2016 there is approximately \$103,000 and \$324,000, respectively, due from MFF, included within "Accounts receivable" in the accompanying Statements of Financial Positions. These balances generally consist of administrative costs, scholarship/grant funding and other general expenses for reimbursement. In addition, there was \$60,000 due from MFF included within "Contributions receivable" as of June 30, 2016. As of June 30, 2017 and 2016 there is approximately \$7,000, due from HS, included within "Accounts receivable" in the accompanying Statements of Financial Positions.

4. ACCOUNTS RECEIVABLE

Accounts receivable of approximately \$272,000 and \$502,000 at June 30, 2017 and 2016, respectively, are primarily from grantors. No allowance was deemed necessary as all amounts were collected subsequent to the years ended June 30, 2017 and 2016.

5. CONTRIBUTIONS RECEIVABLE

Contributions receivable of \$60,000 at June 30, 2016, represents unconditional promises to give from one donor. The contributions receivable at June 30, 2016 were collected during the year ended June 30, 2017. There were no contributions receivable at June 30, 2017.

6. INVESTMENTS

For the years ended June 30, 2017 and 2016, the investments were related to unrestricted net assets and an endowment (NOTE 16). OYC received contributions from two donors to establish the endowment during the year ended June 30, 2009. The endowment is invested in fixed income securities and mutual funds. Investments are presented in the financial statements at their fair market values and consist of the following at June 30:

OVERTOWN YOUTH CENTER, INC.
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

6. INVESTMENTS (CONTINUED)

	<u>2017</u>	<u>2016</u>
Restricted Cash		
Amex Centurion Bank	\$ 6,166	\$ -
Fixed income:		
AT&T Inc.	-	102,407
Bank America Corp	-	101,931
Capital One	97,583	-
Continental Res Inc. Sr	-	65,438
Freeport Mcmoran Copper & Gold Inc.	-	65,625
Gilead Sciences Inc.	97,054	-
JP Morgan Chase & Co	99,415	-
Marathon Petroleum Corp	101,044	-
Monsanto Co	-	102,733
Oracle Corp	100,485	-
Time Warner Inc.	100,676	-
Valero Energy Corp	97,824	-
Mutual funds:		
Blackrock Equity Dividend Investor CI A	158,604	199,783
Fidelity Advisor Small Cap CI A	-	189,058
Goldman Sachs CI A	135,632	-
Janus Enterprise CI A	161,210	191,036
Oppenheimer Intl Small - Mid Company CI A	230,734	185,989
Pimco Income CI A	99,356	-
	<u>\$ 1,485,783</u>	<u>\$ 1,204,000</u>

Investment income (loss), net, is reflected within unrestricted and temporarily restricted support and revenue on the Statements of Activities for the years ended June 30:

	<u>2017</u>	<u>2016</u>
Interest, dividends and realized income	\$ 20,605	\$ 66,712
Unrealized income (loss)	107,177	(69,760)
	<u>\$ 127,782</u>	<u>\$ (3,048)</u>

7. FAIR VALUE MEASUREMENTS

The 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;

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NOTES TO FINANCIAL STATEMENTS
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7. FAIR VALUE MEASUREMENTS (CONTINUED)

- 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.

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, 2017 and 2016.

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.

The following tables represent OYC's financial instruments measured at fair value on a recurring basis at June 30, 2017 and 2016 for each of the fair value hierarchy levels:

Description	Fair Value Measurements at June 30, 2017			
	6/30/2017	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets:				
Restricted cash	\$ 6,166	\$ 6,166	\$ -	\$ -
Fixed income	694,081	694,081	-	-
Mutual funds	785,536	785,536	-	-
	\$ 1,485,783	\$ 1,485,783	\$ -	\$ -

Description	Fair Value Measurements at June 30, 2016			
	6/30/2016	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets:				
Fixed income	\$ 438,134	\$ 438,134	\$ -	\$ -
Mutual funds	765,866	765,866	-	-
	\$ 1,204,000	\$ 1,204,000	\$ -	\$ -

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

8. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consists of the following at June 30:

	2017	2016
Automobiles	\$ 92,814	\$ 92,814
Computers and software	124,118	120,541
Furniture and fixtures	101,368	98,918
Leasehold improvements	152,519	152,519
	470,819	464,792
Less: accumulated depreciation and amortization	(311,499)	(281,729)
	\$ 159,320	\$ 183,063

Depreciation and amortization expense of approximately \$30,000 and \$25,000 for the years ended June 30, 2017 and 2016, respectively.

9. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

	2017	2016
Payroll and vacation	\$ 217,948	\$ 125,059
Scholarships	158,088	113,705
Professional fees	19,000	19,000
Accounts payable and other	6,876	18,122
	\$ 401,912	\$ 275,886

10. 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, 2017 are as follows:

Years ending June 30,	
2018	\$ 5,310
Less amount representing interest	(169)
	\$ 5,141

Total interest expense related to the note was approximately \$600 and \$1,000 during the years ended June 30, 2017 and 2016, respectively.

11. 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 exercised several options to extend the agreement until February 2036.

OVERTOWN YOUTH CENTER, INC.
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

12. SIGNIFICANT CONTRIBUTORS

OYC receives revenue from various sources, which help fund the operational activities of the center. For the years ended June 30, 2017 and 2016, OYC received a significant amount of support from three and four contributors, respectively, which amounted to approximately \$958,000 and \$803,000, respectively. OYC received approximately \$682,000 and \$781,000 of support from Mourning Family Foundation, Inc, a related party. The amounts are included as part of contribution revenue in the accompanying Statements of Activities.

13. 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 renewed annually and was renewed in March 2017 and 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 maturity date on the line of credit is May 2020. At June 30, 2017 and 2016, the amount available on the line of credit is \$250,000. There was no outstanding balance on the line of credit at June 30, 2017 and 2016. At June 30, 2017 and 2016, the variable interest rate on the line of credit was 4.75% and 4.50%, respectively. There was no interest expense for the years ended June 30, 2017 and 2016.

14. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets was comprised of the following at June 30:

	<u>2017</u>	<u>2016</u>
Dinner Program	\$ 147,050	\$ 120,159
Scholarship Program	13,263	32,931
Endowment-related earnings	210,946	131,503
Other	-	20,000
	<u>\$ 371,259</u>	<u>\$ 304,593</u>

The dinner program is designed to ensure that children and adolescents are provided with meals during after-school hours. The scholarship program is designed to help young adults pay for incidental costs and fees to attend higher level educational institutions.

15. PERMANENTLY RESTRICTED NET ASSETS

During the year ended June 30, 2009, OYC received contributions from two donors classified as permanently restricted net assets as endowment donations. Such donations were to help OYC in perpetuity to carry out OYC's mission. Up to 5% of the endowment earnings are used for normal operations and are therefore classified as unrestricted earnings. For the year ended June 30, 2016, OYC received contributions to the endowment of \$50,000. There were no permanently restricted contributions to the endowment during the year ended June 30, 2017. As of June 30, 2017 and 2016, permanently restricted net assets amounted to \$670,000.

16. 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.

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.

**OVERTOWN YOUTH CENTER, INC.
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

16. ENDOWMENTS (CONTINUED)

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

For the years ended June 30, 2017 and 2016, 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, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 210,946	\$ 670,000	\$ 880,946
Total endowment net assets	\$ -	\$ 210,946	\$ 670,000	\$ 880,946

Summary of Endowment Net Assets at June 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 131,503	\$ 670,000	\$ 801,503
Total endowment net assets	\$ -	\$ 131,503	\$ 670,000	\$ 801,503

Changes in endowment net assets during the year ended June 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning	\$ -	\$ 131,503	\$ 670,000	\$ 801,503
Interest and dividends	-	12,810	-	12,810
Investment income, net	-	66,633	-	66,633
Endowment net assets, ending	\$ -	\$ 210,946	\$ 670,000	\$ 880,946

Changes in endowment net assets during the year ended June 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning	\$ -	\$ 133,370	\$ 620,000	\$ 753,370
Interest and dividends	-	40,876	-	40,876
Investment loss, net	-	(42,743)	-	(42,743)
Contributions	-	-	50,000	50,000
Endowment net assets, ending	\$ -	\$ 131,503	\$ 670,000	\$ 801,503

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

16. ENDOWMENTS (CONTINUED)

Summary of Endowment Assets at June 30:

Endowment assets as of June 30 are invested as follows:

	<u>2017</u>	<u>2016</u>
Investments	\$ 880,946	\$ 801,503
Total	<u>\$ 880,946</u>	<u>\$ 801,503</u>

Permanently Restricted Net Assets at June 30:

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or law

	<u>2017</u>	<u>2016</u>
	<u>\$ 670,000</u>	<u>\$ 670,000</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires OYC to retain as a fund of perpetual duration. In accordance with U.S. GAAP, no deficiencies of this nature existed at June 30, 2017 and 2016.

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 are invested in fixed income and mutual funds. 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 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.

17. 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, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 20, 2017.

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
December 20, 2017