

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

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FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017



**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, 2018 and 2017, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2018 and 2017, 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*, we have also issued our report dated November 27, 2018 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 & Fana*

Miami, Florida  
November 27, 2018

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

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STATEMENTS OF FINANCIAL POSITION  
JUNE 30,

<b>ASSETS</b>	<b>2018</b>	<b>2017</b>
Cash and cash equivalents	\$ 1,709,250	\$ 1,387,942
Restricted cash - dinner program	222,621	136,172
Restricted cash - scholarships	27,341	24,012
Accounts receivable	170,350	271,570
Other assets	5,110	5,110
Investments	1,880,212	1,485,783
Property and equipment, net	<u>179,667</u>	<u>159,320</u>
TOTAL ASSETS	<b><u>\$ 4,194,551</u></b>	<b><u>\$ 3,469,909</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 400,154	\$ 401,912
Note payable	-	5,141
Deferred revenue	<u>178,000</u>	<u>178,000</u>
TOTAL LIABILITIES	<u>578,154</u>	<u>585,053</u>
<b>NET ASSETS</b>		
Unrestricted	2,155,464	1,843,597
Temporarily restricted	790,933	371,259
Permanently restricted	<u>670,000</u>	<u>670,000</u>
TOTAL NET ASSETS	<u>3,616,397</u>	<u>2,884,856</u>
TOTAL LIABILITIES AND NET ASSETS	<b><u>\$ 4,194,551</u></b>	<b><u>\$ 3,469,909</u></b>

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,

	<b>2018</b>	<b>2017</b>
<b>UNRESTRICTED NET ASSETS:</b>		
<b>SUPPORT AND REVENUE</b>		
Grants	\$ 1,062,000	\$ 1,416,242
Contributions	2,397,909	1,937,881
Special events	50,225	53,762
In-kind contributions	183,235	125,257
Investment income, net	40,131	48,339
Net assets released from restrictions	<u>235,351</u>	<u>314,777</u>
<b>TOTAL UNRESTRICTED SUPPORT AND REVENUE</b>	<u>3,968,851</u>	<u>3,896,258</u>
<b>EXPENSES</b>		
Program services	3,124,063	3,127,108
Supporting services:		
Management and general	376,650	331,430
Fundraising	<u>156,271</u>	<u>183,329</u>
<b>TOTAL EXPENSES</b>	<u>3,656,984</u>	<u>3,641,867</u>
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>	<u>311,867</u>	<u>254,391</u>
<b>TEMPORARILY RESTRICTED NET ASSETS:</b>		
<b>SUPPORT AND REVENUE</b>		
Contributions	616,920	302,000
Investment income, net	38,105	79,443
Net assets released from restrictions	<u>(235,351)</u>	<u>(314,777)</u>
<b>TOTAL TEMPORARILY RESTRICTED SUPPORT AND REVENUE</b>	<u>419,674</u>	<u>66,666</u>
<b>CHANGE IN NET ASSETS</b>	731,541	321,057
NET ASSETS, beginning of year	<u>2,884,856</u>	<u>2,563,799</u>
NET ASSETS, end of year	<u><b>\$ 3,616,397</b></u>	<u><b>\$ 2,884,856</b></u>

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**OVERTOWN YOUTH CENTER, INC.**  
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STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2018

	<b>Program Services</b>	<b>Supporting Services</b>		<b>Total</b>
	<b>Programs</b>	<b>Management and General</b>	<b>Fundraising</b>	
Payroll and related expenses	\$ 1,808,553	\$ 299,651	\$ 109,062	\$ 2,217,266
Occupancy	124,261	-	-	124,261
Rental and maintenance	33,121	7,866	414	41,401
Supplies	111,280	6,946	-	118,226
Telephone	12,884	10,184	-	23,068
Travel	22,579	5,464	-	28,043
Postage and shipping	937	2,731	-	3,668
Printing and publications	100	-	4,930	5,030
Insurance	59,681	18,822	-	78,503
Licenses and permits	160	40	-	200
Professional fees	30,200	3,800	-	34,000
Field trips	67,593	-	-	67,593
Student services	542,626	-	-	542,626
Scholarships	16,291	-	-	16,291
Special events and community events	22,306	-	33,459	55,765
In-kind	183,235	-	-	183,235
Penalties and fees	-	842	-	842
Depreciation and amortization	32,102	-	-	32,102
Equipment rental	28,736	-	-	28,736
Marketing	5,331	-	7,997	13,328
Other	22,087	20,304	409	42,800
<b>TOTAL EXPENSES</b>	<b>\$ 3,124,063</b>	<b>\$ 376,650</b>	<b>\$ 156,271</b>	<b>\$ 3,656,984</b>

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

**OVERTOWN YOUTH CENTER, INC.**  
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STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2017

	<b>Program Services</b>	<b>Supporting Services</b>		<b>Total</b>
	<b>Programs</b>	<b>Management and General</b>	<b>Fundraising</b>	
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
<b>TOTAL EXPENSES</b>	<b>\$ 3,127,108</b>	<b>\$ 331,430</b>	<b>\$ 183,329</b>	<b>\$ 3,641,867</b>

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



**OVERTOWN YOUTH CENTER, INC.**  
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STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30,

	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	<u>\$ 731,541</u>	<u>\$ 321,057</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	32,102	29,768
Temporarily restricted contributions for capital campaign	(291,920)	-
Unrealized gain on investments	(32,429)	(107,177)
Changes in operating assets and liabilities:		
Restricted cash	(89,778)	(7,094)
Accounts receivable	101,220	230,877
Contributions receivable	-	60,000
Accounts payable and accrued expenses	<u>(1,758)</u>	<u>126,026</u>
TOTAL ADJUSTMENTS	<u>(282,563)</u>	<u>332,400</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>448,978</u>	<u>653,457</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(52,449)	(6,025)
Purchase of investments, net	<u>(362,000)</u>	<u>(174,606)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(414,449)</u>	<u>(180,631)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments on note payable	(5,141)	(5,675)
Collections from capital campaign	<u>291,920</u>	<u>-</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>286,779</u>	<u>(5,675)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	321,308	467,151
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,387,942</u>	<u>920,791</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><b>\$ 1,709,250</b></u>	<u><b>\$ 1,387,942</b></u>
<b>SUPPLEMENTAL DISCLOSURES OF NON-CASH TRANSACTIONS:</b>		
In-kind contributions	<u><b>\$ 183,235</b></u>	<u><b>\$ 125,257</b></u>
Interest expense	<u><b>\$ 192</b></u>	<u><b>\$ 616</b></u>

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

**OVERTOWN YOUTH CENTER, INC.**  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

**1. NATURE OF ACTIVITIES**

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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**

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**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, 2018 AND 2017

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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**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 2015.

**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 certain programs. Cash received from donors restricted as to purpose or time is considered restricted cash.

**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, 2018 and 2017.

**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.

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

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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**Deferred Revenue**

OYC recorded deferred revenue in each of the fiscal years 2018 and 2017 for monies received in advance from a donor that relate to a program to be carried out during the following fiscal year. Deferred revenue was \$178,000 at June 30, 2018 and 2017.

**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 9). 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.

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.

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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**Recent Accounting Pronouncements (Continued)**

Accounting Guidance for Contributions Received and Contributions Made

In June 2018, the FASB issued an accounting standard update in an effort to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The FASB believes the update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (non-reciprocal transactions) within the scope of not-for-profit guidance, or as an exchange (reciprocal) transaction subject to other guidance and (2) determining whether a contribution is conditional or not. The update is effective on a modified prospective basis for fiscal years beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019, with early adoption permitted. OYC is currently evaluating the potential accounting, transition, and disclosure effects the update will have on its financial statements.

**Subsequent Events**

OYC has evaluated subsequent events through November 27, 2018 which is the date the financial statements were available to be issued.

**3. RELATED PARTIES**

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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, 2018 and 2017 there is approximately \$89,000 and \$103,000, 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. OYC received approximately \$389,000 and \$682,000 of support and revenue from Mourning Family Foundation, Inc. during the years ended June 30, 2018 and 2017, respectively.

**4. ACCOUNTS RECEIVABLE**

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Accounts receivable of approximately \$170,000 and \$272,000 at June 30, 2018 and 2017, respectively, are primarily from grantors. No allowance was deemed necessary as all amounts were collected subsequent to the years ended June 30, 2018 and 2017.

**5. INVESTMENTS**

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For the years ended June 30, 2018 and 2017, OYC's investments consist of unrestricted, temporarily restricted and permanently restricted net assets. Investments are presented in the financial statements at their fair market values and consist of the following at June 30,:

	<u>2018</u>	<u>2017</u>
Cash equivalents	\$ 702	\$ 6,166
Fixed income	187,089	694,081
Mutual funds	<u>1,692,421</u>	<u>785,536</u>
	<u>\$ 1,880,212</u>	<u>\$ 1,485,783</u>

**OVERTOWN YOUTH CENTER, INC.**  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

**5. INVESTMENTS (CONTINUED)**

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

	<u>2018</u>	<u>2017</u>
Interest, dividends and realized income	\$ 45,807	\$ 20,605
Unrealized gains	32,429	107,177
	<u>\$ 78,236</u>	<u>\$ 127,782</u>

**6. FAIR VALUE MEASUREMENTS**

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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;
  - 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, 2018 and 2017.

*Cash* is valued at cost which approximates fair value.

*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, 2018 AND 2017

**6. FAIR VALUE MEASUREMENTS (CONTINUED)**

The following tables represent OYC's financial instruments measured at fair value on a recurring basis at June 30, 2018 and 2017 for each of the fair value hierarchy levels:

Description	6/30/2018	Fair Value Measurements at June 30, 2018		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets:				
Cash equivalents	\$ 702	\$ 702	\$ -	\$ -
Fixed income	187,089	187,089	-	-
Mutual funds	1,692,421	1,692,421	-	-
	<u>\$ 1,880,212</u>	<u>\$ 1,880,212</u>	<u>\$ -</u>	<u>\$ -</u>

Description	6/30/2017	Fair Value Measurements at June 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:				
Cash equivalents	\$ 6,166	\$ 6,166	\$ -	\$ -
Fixed income	694,081	694,081	-	-
Mutual funds	785,536	785,536	-	-
	<u>\$ 1,485,783</u>	<u>\$ 1,485,783</u>	<u>\$ -</u>	<u>\$ -</u>

**7. PROPERTY AND EQUIPMENT, NET**

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

	2018	2017
Automobiles	\$ 127,814	\$ 92,814
Computers and software	138,616	124,118
Furniture and fixtures	104,319	101,368
Leasehold improvements	152,519	152,519
	523,268	470,819
Less: accumulated depreciation and amortization	(343,601)	(311,499)
	<u>\$ 179,667</u>	<u>\$ 159,320</u>

Depreciation and amortization expense was approximately \$32,000 and \$30,000 for the years ended June 30, 2018 and 2017, respectively.

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

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NOTES TO FINANCIAL STATEMENTS  
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**8. ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

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

	<u>2018</u>	<u>2017</u>
Payroll and vacation	\$ 213,558	\$ 217,948
Scholarships	150,036	158,088
Professional fees	19,000	19,000
Accounts payable and other	17,560	6,876
	<u>\$ 400,154</u>	<u>\$ 401,912</u>

**9. PROPERTY LEASE**

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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. OYC has exercised several options to extend the agreement until February 2036. 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.

**10. SIGNIFICANT CONTRIBUTORS**

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OYC receives revenue from various sources, which help fund the operational activities of the center. For the years ended June 30, 2018 and 2017, OYC received a significant amount of support from three contributors, which amounted to approximately \$852,000 and \$958,000, respectively. The amounts are included as part of contribution revenue in the accompanying Statements of Activities.

**11. TEMPORARILY RESTRICTED NET ASSETS**

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

	<u>2018</u>	<u>2017</u>
Dinner program	\$ 222,621	\$ 147,050
Scholarship program	27,341	13,263
Endowment-related earnings	249,051	210,946
Collections from capital campaign	291,920	-
	<u>\$ 790,933</u>	<u>\$ 371,259</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. Unappropriated earnings from the endowment are recorded as temporarily restricted net assets until they are appropriated.

During the year ended June 30, 2018, OYC began a capital campaign to raise funds for the renovation of its facilities in the Overtown area. Funds collected are temporarily restricted until the purpose restrictions from the donor are met.

**12. PERMANENTLY RESTRICTED NET ASSETS**

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During the year ended June 30, 2009, OYC received contributions from two donors to establish an endowment. The endowment was established to help OYC in perpetuity to carry out its mission. Up to 5% of the endowment earnings are used for normal operations and are therefore classified as unrestricted earnings. There were no permanently restricted contributions to the endowment during the years ended June 30, 2018 and 2017. As of June 30, 2018 and 2017, permanently restricted net assets amounted to \$670,000.



**OVERTOWN YOUTH CENTER, INC.**  
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NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018 AND 2017

**13. ENDOWMENT**

OYC's endowment consists of individual funds established for a variety of purposes and 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.

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, 2018 and 2017, 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, 2018:**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 249,051	\$ 670,000	\$ 919,051
Total endowment net assets	<b>\$ -</b>	<b>\$ 249,051</b>	<b>\$ 670,000</b>	<b>\$ 919,051</b>

**Summary of Endowment Net Assets at June 30, 2017:**

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

**Changes in endowment net assets during the year ended June 30, 2018:**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning	\$ -	\$ 210,946	\$ 670,000	\$ 880,946
Interest, dividends and realized income	-	22,241	-	22,241
Unrealized gains	-	15,864	-	15,864
<b>Endowment net assets, ending</b>	<b>\$ -</b>	<b>\$ 249,051</b>	<b>\$ 670,000</b>	<b>\$ 919,051</b>

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

NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018 AND 2017

**13. ENDOWMENT (CONTINUED)**

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning	\$ -	\$ 131,503	\$ 620,000	\$ 751,503
Interest, dividends and realized income	-	12,810	-	12,810
Unrealized gains	-	66,633	-	66,633
Contributions	-	-	50,000	50,000
<b>Endowment net assets, ending</b>	<b>\$ -</b>	<b>\$ 210,946</b>	<b>\$ 670,000</b>	<b>\$ 880,946</b>

**Summary of Endowment Assets at June 30,:**

Endowment assets as of June 30 are invested as follows:

	<u>2018</u>	<u>2017</u>
Investments	\$ 919,051	\$ 880,946
Total	<b>\$ 919,051</b>	<b>\$ 880,946</b>

**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>2018</u>	<u>2017</u>
	<b>\$ 670,000</b>	<b>\$ 670,000</b>

**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, 2018 and 2017.

**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.

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

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

**14. COMMITMENTS AND CONTINGENCIES**

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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**

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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, 2018, 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 November 27, 2018.

**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 27, 2018