

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES

FINANCIAL STATEMENTS

JUNE 30, 2020

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Overtown Youth Center, Inc. and Affiliates

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Overtown Youth Center, Inc. and Affiliates ("OYC"), which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Overtown Youth Center, Inc. and Affiliates as of June 30, 2020 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
Overtown Youth Center, Inc. and Affiliates
Page Two

Emphasis of Matter – Coronavirus

As further discussed in Note 17, OYC is subject to the current economic and health conditions in the United States, including the coronavirus which was designated as a global pandemic by the World Health Organization on March 11, 2020. Management is currently assessing the impact of these conditions and continues to explore various options to minimize the financial impact; however, the ultimate outcome is not known as of the date these consolidated financial statements were available to be issued. Our opinion is not modified with respect to this matter.

Other Matter – Supplementary Schedules

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2020 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.



Miami, Florida
December 23, 2020

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

ASSETS

| | |
|------------------------------------|----------------------|
| Cash and cash equivalents | \$ 1,297,382 |
| Restricted cash - dinner program | 405,263 |
| Restricted cash - scholarships | 35,722 |
| Restricted cash - capital campaign | 8,136,697 |
| Accounts receivable | 380,898 |
| Contribution receivable | 10,000 |
| Other assets | 238,423 |
| Investments | 3,509,944 |
| Pledges receivable, net | 4,365,616 |
| Property and equipment, net | 1,466,814 |
| | <hr/> |
| TOTAL ASSETS | \$ 19,846,759 |

LIABILITIES AND NET ASSETS

LIABILITIES:

| | |
|---------------------------------------|------------|
| Accounts payable and accrued expenses | \$ 380,744 |
| Notes payable | 396,900 |
| | <hr/> |
| TOTAL LIABILITIES | 777,644 |

NET ASSETS

| | |
|----------------------------------|----------------------|
| Without donor restrictions | 3,844,903 |
| With donor restrictions | 15,224,212 |
| | <hr/> |
| TOTAL NET ASSETS | 19,069,115 |
| | <hr/> |
| TOTAL LIABILITIES AND NET ASSETS | \$ 19,846,759 |

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

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:

SUPPORT AND REVENUE

| | |
|---------------------------------------|--------------|
| Grants | \$ 2,122,158 |
| Contributions and other revenue | 1,617,038 |
| Special events | 619,659 |
| In-kind contributions | 299,607 |
| Inherent contribution | 7,394,357 |
| Investment income, net | 207,539 |
| Net assets released from restrictions | 148,727 |
| | <hr/> |
| TOTAL SUPPORT AND REVENUE | 12,409,085 |

EXPENSES

| | |
|------------------------|-----------|
| Program services | 3,748,177 |
| Supporting services: | |
| Management and general | 534,820 |
| Fundraising | 312,556 |
| | <hr/> |
| TOTAL EXPENSES | 4,595,553 |

INCREASE IN NET ASSETS WITHOUT
DONOR RESTRICTIONS

7,813,532

CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:

| | |
|---------------------------------------|-----------|
| Contributions | 6,924,892 |
| Investment income, net | 57,947 |
| Net assets released from restrictions | (148,727) |
| | <hr/> |

INCREASE IN NET ASSETS WITH
DONOR RESTRICTIONS

6,834,112

INCREASE IN NET ASSETS

14,647,644

NET ASSETS, BEGINNING OF YEAR

4,421,471

NET ASSETS, END OF YEAR

**---

\$ 19,069,115**

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

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

| | Program Services | Supporting Services | | Total |
|-------------------------------------|-----------------------------|-----------------------------------|--------------------|---------------------|
| | Programs | Management and General | Fundraising | |
| Payroll and related expenses | \$ 1,981,309 | \$ 330,635 | \$ 134,678 | \$ 2,446,622 |
| Occupancy | 172,771 | 15,441 | 6,345 | 194,557 |
| Information and technology | 41,554 | 25,546 | 1,579 | 68,679 |
| Office expenses | 70,792 | 21,827 | 2,363 | 94,982 |
| Other program expenses | 2,172 | 305 | 66 | 2,543 |
| Contract labor | 5,830 | 270 | - | 6,100 |
| Telephone | 26,291 | 11,661 | 458 | 38,410 |
| Travel and transportation | 44,512 | 13,693 | 590 | 58,795 |
| Interest | - | 5,520 | - | 5,520 |
| Postage and shipping | 121 | 1,986 | - | 2,107 |
| Printing and publications | - | - | 688 | 688 |
| Insurance | 67,073 | 31,770 | 188 | 99,031 |
| Licenses and permits | 149,905 | 19,815 | 27,434 | 197,154 |
| Professional fees | 24,000 | 6,000 | - | 30,000 |
| Field trips | 42,950 | - | - | 42,950 |
| Student services | 529,819 | - | - | 529,819 |
| Scholarships | 33,400 | - | - | 33,400 |
| Special events and community events | 23,670 | - | - | 23,670 |
| In-kind | 299,607 | - | - | 299,607 |
| Depreciation and amortization | 45,685 | - | - | 45,685 |
| Equipment rental | 23,102 | - | - | 23,102 |
| Fees and memberships | 8,532 | 13,338 | 27,198 | 49,068 |
| Advertising and promotion | 61,000 | 1,150 | 19,268 | 81,418 |
| Capital campaign | 2,001 | - | - | 2,001 |
| Gifts | 721 | - | 11,104 | 11,825 |
| Production | 1,004 | - | 4,007 | 5,011 |
| Program event catering | 3,091 | 423 | 62,722 | 66,236 |
| Talent | 50,264 | 5,141 | 12,947 | 68,352 |
| Other | 37,001 | 30,299 | 921 | 68,221 |
| TOTAL EXPENSES | \$ 3,748,177 | \$ 534,820 | \$ 312,556 | \$ 4,595,553 |

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

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

| | |
|---|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Change in net assets | \$ 14,647,644 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Depreciation and amortization | 45,685 |
| Inherent contribution | (7,394,357) |
| Amortization of discount on pledges receivable | (17,892) |
| Donor restricted contributions for capital campaign | (1,725,000) |
| Unrealized gain on investments | (50,168) |
| Changes in assets and liabilities: | |
| Decrease in accounts receivable | 34,416 |
| Decrease in contributions receivable | 10,160 |
| Increase in other assets | (116,966) |
| Decrease in accounts payable and accrued expenses | (262,341) |
| TOTAL ADJUSTMENTS | (9,476,463) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 5,171,181 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | |
| Purchases of property and equipment | (705,773) |
| Cash received through inherent contribution (NOTE 1) | 2,436,877 |
| Purchase of investments, net | (923,909) |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | 807,195 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | |
| Proceeds from notes payable | 396,900 |
| Collections from capital campaign | 1,650,000 |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | 2,046,900 |
| NET INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH | 8,025,276 |
| CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR | 1,849,788 |
| CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR | \$ 9,875,064 |
| <hr/> | |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION: | |
| Interest expense | \$ 5,520 |
| SUPPLEMENTAL DISCLOSURES OF NON-CASH ACTIVITY: | |
| In-kind contributions | \$ 299,607 |
| Net assets acquired (NOTE 1) | \$ 4,957,480 |

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

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2020

1. NATURE OF ACTIVITIES

The Overtown Youth Center, Inc. (“Overtown”) is a non-profit charitable organization established and incorporated in the State of Florida in February 2001, as a 501(c)(3) organization. Overtown 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.

Prior to November 30, 2019, Overtown was an affiliate of Mourning Family Foundation, Inc. (“MFF”), a non-profit organization established and incorporated in the State of Florida in March 2001, as a 501(c)(3) organization. MFF’s mission is to encourage the educational development of youth by creating programs and youth enrichment centers that promote positive change in low socioeconomic communities. The major programs established include Zo’s Winter Groove and other youth program events and activities in and outside the South Florida area. During the year ended June 30, 2018, MFF began a capital campaign for the renovation and expansion of the facilities of Overtown.

Prior to November 30, 2019, Overtown was also related to Honey Shine, Inc. (“HS”), a non-profit organization established and incorporated in the State of Florida in September 2010, as a 501(c)(3) organization. HS’s mission is to encourage the balance of mind, body, and soul in girls and young women by providing nurturing experiences that enlighten their paths and empower their futures.

On November 30, 2019, Overtown acquired MFF and HS when the Board of Directors for the three organizations merged in an effort to operate more efficiently, leverage programmatic resources and create more consistency across the organizations. Prior to this, the organizations had separate boards and management. Overtown has majority control in the new collaborative board. Accounting principles generally accepted in the United States of America (“U.S. GAAP”) require the consolidation of entities under common control, with the entity with majority control as the reporting entity. Overtown did not pay any consideration in this transaction. Instead, it received all the assets and liabilities of MFF and HS as of the acquisition date, resulting in an inherent contribution of \$7,394,357 reported on the consolidated statement of activities. MFF and HS continue to be stand-alone, non-profit organizations as of June 30, 2020. The entities share key functional areas such as Executive Management, Human Resources and Finance.

On February 19, 2020, a new non-profit organization, OYC Property Holdings, Inc., was established and incorporated in the State of Florida as a 501(c)(3) organization. The new organization was created by Overtown’s management to support OYC with the capital project.

Overtown, MFF, HS and OYC Property Holdings, Inc. are collectively referred to as “OYC” or “the Organizations.”

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements of OYC are prepared on the accrual basis of accounting in accordance with U.S. GAAP. Net assets, revenues, gains and losses are classified into two classes of net assets based on the existence or absence of donor-imposed restrictions.

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Accordingly, net assets of OYC and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of OYC's management and the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of OYC or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statement of activities.

Basis of Consolidation

The consolidated financial statements reflect the consolidated financial position and results of operations and cash flows of OYC. All intercompany transactions and balances have been eliminated upon consolidation.

Use of Estimates

The presentation of consolidated financial statements in conformity with 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risks and Uncertainties

Financial instruments which potentially subject OYC to concentrations of credit risk consist principally of cash, cash equivalents and restricted cash, receivables 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.

Accounts receivable, including grants and contracts receivable, credit risk is limited due to the nature of the grants and contracts. OYC regularly monitors its grants and contracts receivable by investigating delayed payments and differences when payments received do not conform to the amount billed. OYC considers all receivables as collectible.

Income Taxes

The Organizations qualify as tax exempt entities under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been recorded in the accompanying consolidated financial statements.

The Organizations recognize and measure tax positions based on their technical merit and assess 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 the Organizations file income tax returns. The Organizations are generally no longer subject to U.S. Federal or State examinations by tax authorities for years before 2017.

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents include cash held in checking and money market accounts with original maturities of three months or less. Restricted cash consists of amounts received in connection with certain programs and the capital project. Cash received from donors restricted as to purpose or time is considered restricted cash.

Total cash, cash equivalents, and restricted cash shown in the consolidated statement of cash flows includes cash and cash equivalents of \$1,297,382 and restricted cash of \$8,577,682, as reported in the consolidated statement of financial position.

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, 2020.

Other Assets

Other assets include inventory of \$9,532, prepaid expenses of \$103,464 and deposits for the capital campaign of \$125,427, as of June 30, 2020. Inventory consists of uniforms and school supplies purchased by OYC. Inventory is donated to the children and families that OYC serves. Inventory is stated at the lower of cost (first-in, first-out basis) or net realizable value.

Investments

OYC reports its investments in marketable securities with readily determinable fair values and all investments in debt securities at fair value in the consolidated statement of financial position.

Investment gains and losses (including realized and unrealized gains and losses on investments, interest and dividends) are included in the accompanying consolidated statement of activities as increases or decreases in net assets without donor restrictions unless income or loss is restricted by donor or law.

Pledges Receivable, Net

Pledges receivable, net represent uncollected promises and are stated at the estimated present value of the future cash flows using a rate of return appropriate for the expected term of the promise to give at the time initially recognized. All pledges are designated by the donors for the capital campaign project. No allowance was deemed necessary by management at June 30, 2020.

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. Construction in progress represents design and architectural costs incurred for the OYC building expansion (NOTE 1). Construction in progress is not depreciated until put into service.

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2020

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 |

Revenue Recognition

Transfers of cash or other assets or settlement of liabilities that are both voluntary and nonreciprocal are recognized as contributions. Contributions may either be conditional or unconditional. A contribution is considered conditional when the donor imposes both a barrier and a right of return. Conditional contributions are recognized as revenue on the date all donor-imposed barriers are overcome or explicitly waived by the donor. Barriers may include specific and measurable outcomes, limitations on the performance of an activity and other stipulations related to the contribution. A donor has a right of return of any assets transferred or a right of release of its obligation to transfer any assets in the event OYC fails to overcome one or more barriers. Assets received before the barrier is overcome are accounted for as refundable advances.

Unconditional contributions may or may not be subject to donor-imposed restrictions. Donor-imposed restrictions limit the use of the donated assets but are less specific than donor-imposed conditions. Contributions received are measured at their fair values and are reported as an increase in net assets. Unconditional promises are recognized at the estimated present value of the future cash flows using a risk-free rate. OYC reports gifts of cash and other assets as restricted support if they are received with donor stipulations about the use of the donated assets, or if they are designated as support for future periods.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as "Net assets released from restrictions." Donor-restricted contributions whose restrictions are met in the same reporting period in which received are reported as net assets without donor restrictions. OYC received donations from several sources including private individuals, corporations and private foundations.

Revenues from grants are recorded based upon terms of the grants agreement which generally provide that revenue is earned when the allowable costs of the specific grant provisions have been incurred or the allowable services are provided to program participants.

In-kind Revenue and Expense

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 consolidated 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 consolidated financial statements since the recognition criteria were not met. In addition, OYC has a property lease agreement with the City of Miami (NOTE 12).

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the consolidated statement 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.

Adopted Accounting Pronouncements

Accounting Guidance for Contributions Received and Contributions Made

OYC adopted Accounting Standard Update 2018-08 (Topic 958) – *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The update provides guidance in evaluating whether transactions should be accounted for as contributions or as an exchange transaction and determining whether a contribution is conditional or not. The adoption of this update did not have a material effect on OYC's financial position and change in net assets.

Classification of Certain Cash Receipts and Cash Payments

OYC adopted Accounting Standard Update 2016-15 (Topic 230) – *Classification of Certain Cash Receipts and Cash Payments using a retrospective approach*. The update was issued to reduce diversity in practice of eight specific issues on the consolidated statement of cash flows. The adoption of this update did not have a material effect on OYC's financial position and change in net assets.

Restricted Cash

In November 2016, the Financial Accounting Standards Board ("FASB") issued an accounting standard update which amends cash flow statement presentation of restricted cash. The update requires amounts generally described as restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the consolidated statement of cash flows. OYC adopted this updated as of June 30, 2020 and modified the presentation of restricted cash in its consolidated statement of cash flows.

Recognition and Measurement of Financial Assets and Financial Liabilities

In January 2016, the FASB issued an accounting standard update which seeks to enhance the recognition, measurement, presentation and disclosure requirements of financial instruments. The update is effective for fiscal years beginning after December 15, 2018 and for interim periods within fiscal years beginning after December 15, 2019 with early adoption permitted for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The adoption of this update did not have a material effect on the consolidated financial statements.

Recent Accounting Pronouncements

Revenue from Contracts with Customers

In May 2014, the FASB issued an accounting standard update which affects the revenue recognition of entities that enter into either (1) certain contracts to transfer goods or services to customers or (2) certain contracts for the transfer of nonfinancial assets. The update indicates an entity should recognize revenue in an amount that reflects the consideration the entity expects to be entitled to in exchange for the goods or services transferred by the entity. The update is to be applied to the beginning of the year of implementation or retrospectively and is effective for annual periods beginning after December 15, 2018 and in interim periods in annual periods beginning after December 15, 2019; however, due to the circumstances surrounding COVID-19, the FASB issued relief in the form of deferral of the required adoption date for nonprofit entities to annual periods beginning after December 31, 2019 and in interim periods beginning after December 15, 2020. OYC is currently evaluating the effect the update will have on its consolidated financial statements.

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (Continued)

Lease Accounting

In February 2016, the 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. Also, the FASB has issued amendments to the update with practical expedients related to land easements and lessor accounting. OYC does not anticipate the update having a material effect on its results of operations or cash flows, though such an effect is possible. OYC is currently evaluating the effect the update will have on its consolidated financial statements.

The update originally required transition to the new lease guidance using a modified retrospective approach which would reflect the application of the update as of the beginning of the earliest comparative period presented. A subsequent amendment to the update provides an optional transition method that allows entities to initially apply the new lease guidance with a cumulative-effect adjustment to the opening balance of equity in the period of adoption. If this optional transition method is elected, after the adoption of the new lease guidance, OYC's presentation in the consolidated financial statements will continue to be in accordance with current lease accounting. OYC is evaluating the method of adoption it will elect. The update is effective for fiscal years beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020, with early application permitted. The effective dates have been extended to fiscal years beginning after December 15, 2021, and for interim periods within fiscal years beginning after December 15, 2022.

Contributed Nonfinancial Assets

In September 2020, the FASB issued an accounting standard update which amends guidance for not-for-profit entities that receive contributed nonfinancial assets. The update requires not-for-profits to present contributed nonfinancial assets as a separate line item in the consolidated statement of activities, and to disclose information regarding each type of contributed nonfinancial asset. The update is to be applied on a retrospective basis and is effective for annual reporting periods beginning after June 15, 2021, and for interim reporting periods beginning after June 15, 2022. OYC is currently evaluating the effect the update will have on its consolidated financial statements.

Subsequent Events

OYC has evaluated subsequent events through December 23, 2020, which is the date the consolidated financial statements were available to be issued.

3. LIQUIDITY MANAGEMENT AND AVAILABILITY OF RESOURCES

OYC maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. In managing its liquidity needs, OYC monitors and maintains a cash float to cover general operating expenditures and operates on a strict budget. Additionally, OYC has two lines of credit available with total borrowing capacity of \$300,000, which can be used to meet general expenditures (NOTE 11).

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020

3. LIQUIDITY MANAGEMENT AND AVAILABILITY OF RESOURCES (CONTINUED)

The summary below reflects OYC's consolidated financial assets available within one year as of June 30, 2020, reduced by amounts that are not available for general use due to contractual or donor-imposed restrictions.

| | |
|---|----------------------------|
| Cash and cash equivalents | \$ 1,297,382 |
| Restricted cash - dinner program | 405,263 |
| Restricted cash - scholarships | 35,722 |
| Restricted cash - capital campaign | 8,136,697 |
| Accounts receivable | 380,898 |
| Contributions receivable | 10,000 |
| Investments | 3,509,944 |
| Pledges receivable, net | <u>4,365,616</u> |
| Total financial assets | <u>18,141,522</u> |
| Less amounts not available to be used within one year: | |
| Restricted by donors for specific programs | 453,745 |
| Restricted for capital project | 13,732,067 |
| Perpetual endowment | 670,000 |
| Accumulated earnings on endowment | <u>368,400</u> |
| Total financial assets not available to be used within one year | <u>15,224,212</u> |
| Financial assets available to meet general expenditures within one year | <u>\$ 2,917,310</u> |

4. ACCOUNTS RECEIVABLE

Accounts receivable of approximately \$381,000 at June 30, 2020, are primarily from grantors. No allowance was deemed necessary as all amounts were collected subsequent to the year ended June 30, 2020.

5. PLEDGES RECEIVABLE, NET

Pledges receivable, net, consists of the following at June 30, 2020:

| | |
|-------------------------------------|----------------------------|
| Pledges due in: | |
| Less than one year | \$ 2,675,000 |
| One to five years | 1,650,000 |
| Over five years | <u>300,000</u> |
| | 4,625,000 |
| Less: Discount on long-term pledges | <u>(259,384)</u> |
| Pledges receivable, net | <u>\$ 4,365,616</u> |

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2020

6. INVESTMENTS

For the year ended June 30, 2020, investments consist of net assets with and without donor restrictions. Investments are presented in the consolidated financial statements at their fair market values and consist of the following at June 30, 2020:

| | |
|--------------|---------------------|
| Fixed income | \$ 1,146,942 |
| Mutual funds | 2,363,002 |
| | \$ 3,509,944 |

The following schedule summarizes the investment income, net of fees and its classification in the consolidated statement of activities.

| | Year Ended June 30, 2020 | | |
|--|-------------------------------|----------------------------|-------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Net unrealized gains | \$ 40,148 | \$ 10,020 | \$ 50,168 |
| Interest, dividends and realized income, net of fees | 167,391 | 47,927 | 215,318 |
| Total investment income, net | \$ 207,539 | \$ 57,947 | \$ 265,486 |

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;
 - 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, 2020.

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020

7. FAIR VALUE MEASUREMENTS (CONTINUED)

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 in which the individual securities are traded.

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 table represents OYC's financial instruments measured at fair value on a recurring basis at June 30, 2020 for each of the fair value hierarchy levels:

| Description | Fair Value 6/30/2020 | Fair Value Measurement at Reporting Date Using: | | |
|--------------|-------------------------|--|--|--|
| | | 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 | \$ 1,146,942 | \$ 1,146,942 | \$ - | \$ - |
| Mutual funds | 2,363,002 | 2,363,002 | - | - |
| | \$ 3,509,944 | \$ 3,509,944 | \$ - | \$ - |

8. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consists of the following at June 30, 2020:

| | |
|---|---------------------|
| Automobiles | \$ 127,814 |
| Computers and software | 45,664 |
| Furniture, fixtures and equipment | 96,373 |
| Construction in progress | <u>1,390,924</u> |
| | 1,660,775 |
| Less: accumulated depreciation and amortization | <u>(193,961)</u> |
| | \$ 1,466,814 |

Depreciation and amortization expense was approximately \$46,000 for the year ended June 30, 2020.

Construction in progress of \$1,390,924 as of June 30, 2020 relates to planning and construction of the new OYC facilities. The estimated remaining cost to complete is approximately \$19,000,000 as of June 30, 2020.

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020

9. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following at June 30, 2020:

| | |
|----------------------------|-------------------|
| Payroll and vacation | \$ 183,741 |
| Scholarships | 143,920 |
| Professional fees | 28,000 |
| Accounts payable and other | 25,083 |
| | <hr/> |
| | \$ 380,744 |

10. PAYCHECK PROTECTION PROGRAM

On May 5, 2020, Overtown executed a loan for \$360,000 under the Paycheck Protection Program (“PPP”) authorized by the Coronavirus Aid, Relief, and Economic Security Act that was signed into law on March 27, 2020. The loan begins accruing interest at a rate of 1.00% on the effective date. Principal payments are due in equal monthly installments commencing November 5, 2020. The loan matures on May 5, 2022, at which time all unpaid principal and accrued interest is due.

On April 30, 2020, HS executed a loan for \$36,900 under the PPP. The loan begins accruing interest at a rate of 1.00% on the effective date. Principal payments are due in equal monthly installments commencing October 30, 2020. The loan matures on April 30, 2022, at which time all unpaid principal and accrued interest is due.

Under the Paycheck Protection Program, loan funds are eligible for forgiveness to the extent that they are used to cover certain payroll, rent and utility costs and if Overtown and HS retain employees during a specified period of time. Management estimates that a portion of the loan funds will be eligible for forgiveness. As of June 30, 2020, the amount outstanding on the PPP loans was \$396,900.

11. LINES OF CREDIT

MFF has a revolving line of credit from a financial institution with a maximum borrowing amount of \$150,000. The line of credit has been renewed several times and its current maturity date is August 2022. The line of credit has a variable interest rate based on the Wall Street Journal prime rate plus 2.39% and cannot be less than 5.89%, resulting in an interest rate of 5.89% at June 30, 2020. The line of credit is secured by receivables and property and equipment. Total interest expense in connection with line of credit was \$2,069 for the year ended June 30, 2020.

MFF has another line of credit from another financial institution with a maximum borrowing amount of \$150,000, which expired in November 2020. The line of credit is going through the review process for renewal as of the date these consolidated financial statements were available to be issued. The line of credit has a variable interest rate based on the Wall Street Journal prime rate plus 0.50%, resulting in an interest rate of 3.75% at June 30, 2020. The line of credit is unsecured. Total interest expense in connection with line of credit was \$5,273 for the year ended June 30, 2020.

There were no balances outstanding under either line of credit as of June 30, 2020.

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2020

12. PROPERTY LEASE

In 2000, Overtown 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. Overtown has exercised several options to extend the agreement until February 2066. The lease stipulates that Overtown 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.

13. SIGNIFICANT GRANTORS AND CONTRIBUTORS

OYC receives revenue from various sources, which help fund the operational activities of the center and fund the capital project. For the year ended June 30, 2020, OYC received a significant amount of support from two contributors, which amounted to approximately \$3,400,000 and constitute 29% of total combined public support. The amounts are included within contributions in the consolidated statement of activities. OYC also received a significant amount of grant funding from four grantors, which amounted to approximately \$2,000,000 during the year ended June 30, 2020 and constitute 88% of total combined grants revenue. The amounts are included as part of grants in the accompanying consolidated statement of activities.

14. NET ASSETS

Net assets without donor restrictions are used to support the operating activities of OYC. The major program activities are described in NOTE 1.

Net assets with donor restrictions consist of the following at June 30, 2020:

| | |
|---|----------------------|
| Restricted by donors with specific purpose/time restrictions: | |
| Dinner program | \$ 405,263 |
| Scholarship program | 48,482 |
| Perpetual endowment | 670,000 |
| Endowment-related earnings | 368,400 |
| Reserve for capital project | 13,732,067 |
| | <u>\$ 15,224,212</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 net assets with donor restrictions until they are appropriated. Funds collected for the capital campaign are restricted until the purpose restrictions from the donor are met.

During the year ended June 30, 2009, Overtown received contributions to establish an endowment. The endowment was established to help Overtown in perpetuity to carry out its mission. Up to 5% of the endowment earnings can be appropriated for expenditure.

Increases in and releases from restrictions are summarized below for the years ended June 30, 2020:

| | |
|---|---------------------|
| Dinner program | \$ 300,000 |
| Endowment-related earnings | 57,947 |
| Reserve for capital project | 6,374,393 |
| Total additions | <u>\$ 6,732,340</u> |
| Program restriction accomplished - dinner | \$ (141,327) |
| Program restriction accomplished - scholarships | (7,400) |
| Total releases from restrictions | <u>\$ (148,727)</u> |

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020

15. ENDOWMENT

Overtown'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"). Overtown 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, Overtown classifies as net assets with donor restrictions (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 not held in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by Overtown in a manner consistent with the standard of prudence prescribed by FUPMIFA.

Overtown 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 Overtown 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 Overtown
- (7) The investment policies of Overtown

For the year ended June 30, 2020, Overtown has elected not to add appreciation for cost of living or other spending policies to its donor-restricted endowment for inflation and other economic conditions.

Summary of Endowment Net Assets at June 30, 2020:

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|---------------------|
| Original donor restricted gift in perpetuity | \$ - | \$ 670,000 | \$ 670,000 |
| Accumulated earnings on restricted gift held in perpetuity | - | 368,400 | 368,400 |
| Total endowment net assets | <u>\$ -</u> | <u>\$ 1,038,400</u> | <u>\$ 1,038,400</u> |

Changes in endowment net assets during the year ended June 30, 2020:

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|---------------------|
| Endowment net assets, beginning | \$ - | \$ 980,453 | \$ 980,453 |
| Interest, dividends and realized income, net | - | 47,927 | 47,927 |
| Unrealized gains | - | 10,020 | 10,020 |
| Endowment net assets, ending | <u>\$ -</u> | <u>\$ 1,038,400</u> | <u>\$ 1,038,400</u> |

Endowment assets as of June 30, 2020 are invested as follows:

| | |
|-------------|---------------------|
| Investments | <u>\$ 1,038,400</u> |
| Total | <u>\$ 1,038,400</u> |

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2020

15. ENDOWMENT (CONTINUED)

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 Overtown to retain as a fund of perpetual duration, which was \$670,000 for the year ended June 30, 2020. In accordance with U.S. GAAP, no deficiencies of this nature existed at June 30, 2020.

Return Objectives and Risk Parameters

Overtown 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 Overtown must hold in perpetuity or for a donor-specified period(s). Overtown expects its endowment funds, over time, to provide a rate of return in excess of the original donor-restricted principal. Actual returns in any given year may vary.

Strategies Employed for Achieving Objectives

Overtown's endowment assets are invested in fixed income and mutual funds. Overtown 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 Overtown's operational activities if deemed necessary. In establishing this policy, Overtown considered the long-term expected return on its endowment. Accordingly, over the long term, Overtown expects the current spending policy to allow its endowment to grow.

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.

In February 2019, Overtown assumed an operating lease agreement previously held by Neat Stuff, a non-profit organization acquired by Overtown in 2019, for store space. The lease expires in May 2022. Rent expense related to this lease during the year ended June 30, 2020 was approximately \$46,000.

On November 30, 2019, Overtown assumed MFF's operating lease of facilities which are leased on a month to month basis. Rent expense in connection with this lease was approximately \$12,000 during the year ended June 30, 2020. OYC also assumed a lease for office equipment expiring in November 2023.

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2020

16. COMMITMENTS AND CONTINGENCIES (CONTINUED)

The approximate future minimum lease payments are as follows for the years ending June 30,:

| | | |
|-------|----|----------------|
| 2021 | \$ | 55,000 |
| 2022 | | 53,000 |
| 2023 | | 8,000 |
| 2024 | | 2,700 |
| Total | \$ | <u>118,700</u> |

Construction Contract:

During the year ended June 30, 2020, OYC Property Holdings, Inc. (NOTE 1) entered into a construction contract with a third party for the construction of the OYC facilities. The estimated commitment under the contract is \$14,375,000 as of June 30, 2020.

17. CORONAVIRUS

Since January 2020, the coronavirus (“COVID-19”) outbreak has caused substantial disruption in international and U.S. economics and markets. The fear of further spread of COVID-19 has caused quarantines, cancellation of events and travel, business and school shutdowns, and overall reduction in business and economic activity. On March 11, 2020, the World Health Organization designated COVID-19 as a pandemic. OYC is unable to predict the impact that COVID-19 will have on its financial position and change in net assets due to numerous uncertainties. These uncertainties include the severity of the virus, the duration of the outbreak, governmental or other actions (which include promotion of social distancing), or changes to OYC’s operations. OYC is currently evaluating the potential adverse effect this matter will have on its consolidated financial position, operations and cash flows. The full impact of COVID-19 is unknown and cannot be reasonably estimated as of the date these consolidated financial statements were available to be issued.

18. SUBSEQUENT EVENT

Subsequent to June 30, 2020, Overtown entered into a New Market Tax Credits (“NMTC”) financing transaction to partially fund the capital project. The NMTC program is administered by the United States Treasury and is designed to encourage capital investment and business operations within distressed or highly census tracts by offering investors a federal tax credit over a seven-year period in exchange for the investments. The NMTC allocation is aggregated into a special-purpose entity known as the investment fund (“the Fund”), which is capitalized with funds generated from the net tax credit equity and loans to the Fund. U.S. Bancorp Community Corporation and Florida Community Loan Fund are the investors in the Fund and The Northern Trust Company is the “leverage lender” in the NMTC transaction

As part of the NMTC transaction, Overtown entered into a non-revolving loan agreement with the leverage lender for a total of \$4,000,000. The loan is payable in a single installment on July 2, 2025, the maturity date. The loan bears interest equal to the Overnight LIBOR-Based Rate which is the greater of (i) the Rate Margin of 1.75% or (ii) the sum of the Overnight LIBOR plus the Rate Margin.

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. and Affiliates

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 consolidated financial statements of Overtown Youth Center, Inc. and Affiliates ("OYC") (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 23, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated 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 consolidated 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 consolidated 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 23, 2020

SUPPLEMENTARY SCHEDULES

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
JUNE 30, 2020

ASSETS

| | Overtown Youth Center, Inc. | Mourning Family Foundation, Inc. | Honey Shine, Inc. | OYC Property Holdings, Inc. | Elimination | Total |
|------------------------------------|--|---|------------------------------|--|-----------------------|----------------------|
| Cash and cash equivalents | \$ 1,173,792 | \$ 41,014 | \$ 82,576 | \$ - | \$ - | \$ 1,297,382 |
| Restricted cash - dinner program | 405,263 | - | - | - | - | 405,263 |
| Restricted cash - scholarships | 35,722 | - | - | - | - | 35,722 |
| Restricted cash - capital campaign | - | 136,697 | - | 8,000,000 | - | 8,136,697 |
| Accounts receivable | 371,077 | - | 9,821 | - | - | 380,898 |
| Contributions receivable | - | - | 85,000 | - | (75,000) | 10,000 |
| Other assets | 196,367 | 37,288 | 4,768 | - | - | 238,423 |
| Investments | 3,507,717 | - | 2,227 | - | - | 3,509,944 |
| Pledges receivable, net | 4,272,724 | 92,892 | - | - | - | 4,365,616 |
| Property and equipment, net | 786,229 | 680,585 | - | - | - | 1,466,814 |
| Due from affiliates/ interfund | 1,208,934 | - | - | - | (1,208,934) | - |
| TOTAL ASSETS | \$ 11,957,825 | \$ 988,476 | \$ 184,392 | \$ 8,000,000 | \$ (1,283,934) | \$ 19,846,759 |

LIABILITIES AND NET ASSETS

LIABILITIES:

| | | | | | | |
|---------------------------------------|----------------|------------------|----------------|----------|--------------------|----------------|
| Accounts payable and accrued expenses | \$ 360,459 | \$ - | \$ 20,285 | \$ - | \$ - | \$ 380,744 |
| Notes payable | 360,000 | - | 36,900 | - | - | 396,900 |
| Due to affiliates/ interfund | - | 1,157,039 | 126,895 | - | (1,283,934) | - |
| TOTAL LIABILITIES | 720,459 | 1,157,039 | 184,080 | - | (1,283,934) | 777,644 |

NET ASSETS

| | | | | | | |
|---|----------------------|-------------------|-------------------|---------------------|-----------------------|----------------------|
| Without donor restrictions | 4,124,720 | (280,129) | 312 | - | - | 3,844,903 |
| With donor restrictions | 7,112,646 | 111,566 | - | 8,000,000 | - | 15,224,212 |
| TOTAL NET ASSETS | 11,237,366 | (168,563) | 312 | 8,000,000 | - | 19,069,115 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 11,957,825 | \$ 988,476 | \$ 184,392 | \$ 8,000,000 | \$ (1,283,934) | \$ 19,846,759 |

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES

CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

| | Overtown Youth Center, Inc. | Mourning Family Foundation, Inc. | Honey Shine, Inc. | OYC Property Holdings, Inc. | Eliminations | Total |
|---|--|---|------------------------------|--|---------------------|----------------------|
| CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS: | | | | | | |
| SUPPORT AND REVENUE | | | | | | |
| Grants | \$ 1,912,337 | \$ 200,000 | \$ 9,821 | \$ - | \$ - | \$ 2,122,158 |
| Contributions and other revenue | 1,825,917 | 25,695 | 120,426 | - | (355,000) | 1,617,038 |
| Special events | - | 618,899 | 760 | - | - | 619,659 |
| In-kind contributions | 297,607 | - | 2,000 | - | - | 299,607 |
| Inherent contribution | 7,394,357 | - | - | - | - | 7,394,357 |
| Investment income, net | 205,312 | - | 2,227 | - | - | 207,539 |
| Net assets released from restrictions | 1,428,727 | 7,000,000 | - | - | (8,280,000) | 148,727 |
| TOTAL SUPPORT AND REVENUE | 13,064,257 | 7,844,594 | 135,234 | - | (8,635,000) | 12,409,085 |
| EXPENSES | | | | | | |
| Program services | 4,628,202 | 7,365,164 | 109,811 | - | (8,355,000) | 3,748,177 |
| Supporting services: | | | | | | |
| Management and general | 405,804 | 112,119 | 16,897 | - | - | 534,820 |
| Fundraising | 143,576 | 160,766 | 8,214 | - | - | 312,555 |
| TOTAL EXPENSES | 5,177,582 | 7,638,049 | 134,922 | - | (8,355,000) | 4,595,553 |
| INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS | 7,886,675 | 206,545 | 312 | - | (280,000) | 7,813,532 |
| CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS: | | | | | | |
| Contributions | 300,000 | 6,624,892 | - | 8,000,000 | (8,000,000) | 6,924,892 |
| Investment income, net | 57,947 | - | - | - | - | 57,947 |
| Net assets released from restrictions | (1,428,727) | (7,000,000) | - | - | 8,280,000 | (148,727) |
| (DECREASE) INCREASE IN NET ASSETS WITH DONOR RESTRICTIONS | (1,070,780) | (375,108) | - | 8,000,000 | 280,000 | 6,834,112 |
| INCREASE (DECREASE) IN NET ASSETS | 6,815,895 | (168,563) | 312 | 8,000,000 | - | 14,647,644 |
| NET ASSETS, BEGINNING OF YEAR | 4,421,471 | - | - | - | - | 4,421,471 |
| NET ASSETS, END OF YEAR | \$ 11,237,366 | \$ (168,563) | \$ 312 | \$ 8,000,000 | \$ - | \$ 19,069,115 |