



Overtown Youth Center, Inc. and Affiliates

**Financial Statements and Supplemental
Schedules**
Years Ended June 30, 2021 and June 30, 2020

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1 - 3
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statements of Financial Position	4
Consolidated Statements of Activities	5
Consolidated Statements of Functional Expenses	6 - 7
Consolidated Statements of Cash Flows	8
Notes to Consolidated Financial Statements	9 - 26
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 <i>GOVERNMENT AUDITING STANDARDS</i>	27
SUPPLEMENTARY SCHEDULES:	28
Consolidating Schedule of Financial Position as of June 30, 2021	29
Consolidating Schedule of Activities for the year ended June 30, 2021	30



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Independent Auditor's Report

Board of Directors
Overtown Youth Center, Inc. and Affiliates
Miami, Florida

Opinion

We have audited the consolidated financial statements of Overtown Youth Center, Inc. and Affiliates (the "Organization" or "OYC") (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2021, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Overtown Youth Center, Inc. and Affiliates as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued or available to be issued.



Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Other Matters

Supplementary Information

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.



Prior Year Financial Statements

The consolidated financial statements of the Organization as of and for the year ended June 30, 2020 were audited by Morrison, Brown, Argiz & Farra, LLC ("MBAF"), whose partners and professional staff joined BDO USA, LLP as of January 16, 2021, and has subsequently ceased operations. MBAF expressed an unmodified opinion on those statements in their report dated December 23, 2020.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2021 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 27, 2021

BDO USA, LLP
Certified Public Accountants

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30,

ASSETS	2021	2020
Cash and cash equivalents	\$ 2,685,571	\$ 1,297,382
Restricted cash - dinner program	630,579	405,263
Restricted cash - scholarships	30,412	35,722
Restricted cash - capital project and reserves	14,613,612	8,136,697
Accounts receivable	378,175	390,898
Other assets	30,360	238,423
Investments	3,986,011	3,509,944
Pledges receivable, net	3,068,468	4,365,616
New Market Tax Credit (NMTC) notes receivable	12,532,900	-
Property and equipment, net	6,894,875	1,466,814
TOTAL ASSETS	\$ 44,850,963	\$ 19,846,759
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 1,683,135	\$ 380,744
Loan payable	2,500,000	-
NMTC notes payable, net of debt issuance cost	17,511,524	-
Paycheck Protection Program loans payable	-	396,900
TOTAL LIABILITIES	21,694,659	777,644
NET ASSETS		
Without donor restrictions	5,791,136	3,844,903
With donor restrictions	17,365,168	15,224,212
TOTAL NET ASSETS	23,156,304	19,069,115
TOTAL LIABILITIES AND NET ASSETS	\$ 44,850,963	\$ 19,846,759

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

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30,

	2021	2020
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
SUPPORT AND REVENUE		
Grants	\$ 1,995,849	\$ 2,122,158
Contributions	2,801,547	1,617,038
Special events	66,850	619,659
In-kind contributions	334,512	299,607
Inherent contribution	-	7,394,357
Gain from Paycheck Protection Program loan forgiveness	396,900	-
Investment income, net	348,707	207,539
Net assets released from restrictions	75,294	148,727
TOTAL SUPPORT AND REVENUE	6,019,659	12,409,085
EXPENSES		
Program services	3,383,796	3,748,177
Supporting services:		
Management and general	479,578	534,820
Fundraising	210,052	312,556
TOTAL EXPENSES	4,073,426	4,595,553
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	1,946,233	7,813,532
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions	2,093,008	6,924,892
Investment income, net	123,242	57,947
Net assets released from restrictions	(75,294)	(148,727)
INCREASE IN NET ASSETS WITH DONOR RESTRICTIONS	2,140,956	6,834,112
INCREASE IN NET ASSETS	4,087,189	14,647,644
NET ASSETS, BEGINNING OF YEAR	19,069,115	4,421,471
NET ASSETS, END OF YEAR	\$ 23,156,304	\$ 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, 2021
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020)

	Program Services	Supporting Services		Total 2021	Total 2020
	Programs	Management and General	Fundraising		
Payroll and related expenses	\$ 2,083,357	\$ 293,385	\$ 136,809	\$ 2,513,551	\$ 2,446,622
NMTC fees	-	15,972	-	15,972	-
Occupancy (including in-kind of \$15,295)	67,287	22,359	18,878	108,524	194,557
Information and technology	32,724	7,426	391	40,541	68,679
Office expenses (including in-kind of \$8,500)	124,238	17,745	63	142,046	94,982
Contract labor	-	-	-	-	74,452
Telephone	24,064	8,967	-	33,031	38,410
Travel and transportation	24,724	7,397	-	32,121	58,795
Interest	-	50,158	-	50,158	5,520
Postage and shipping	265	1,427	-	1,692	2,107
Printing and publications	-	-	1,236	1,236	688
Insurance	82,327	22,784	2,926	108,037	99,031
Licenses and permits	823	312	106	1,241	197,154
Professional fees	54,494	12,523	-	67,017	30,000
Field Trips	16,741	-	-	16,741	42,950
Student services	325,784	-	-	325,784	529,819
Scholarships	50,260	-	-	50,260	33,400
Special events and community events	25,297	-	17,455	42,752	89,906
Food (in-kind)	250,137	-	-	250,137	186,000
Depreciation and amortization	24,313	-	-	24,313	45,685
Equipment rental	20,012	-	-	20,012	23,102
Fees and memberships	-	5,561	-	5,561	49,068
Advertising and promotion	9,959	-	14,939	24,898	81,418
Other (including in-kind of \$60,580)	166,990	13,562	17,249	197,801	203,208
TOTAL EXPENSES	\$ 3,383,796	\$ 479,578	\$ 210,052	\$ 4,073,426	\$ 4,595,553

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
Contract labor	56,094	5,411	12,947	74,452
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	26,761	423	62,722	89,906
Food (in-kind)	186,000	-	-	186,000
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
Other (including in-kind of \$113,607)	156,506	30,604	16,098	203,208
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 STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 4,087,189	\$ 14,647,644
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	24,313	45,685
Inherent contribution	-	(7,394,357)
Amortization of deferred debt issuance costs	12,250	-
Non-cash stock contributions	(492,708)	-
Amortization of discount on pledges receivable	(102,852)	(17,892)
Gain from Paycheck Protection Program loan forgiveness	(396,900)	-
Donor restricted contributions for capital campaign	(1,792,709)	(1,725,000)
Unrealized gain on investments	(363,293)	(50,168)
Changes in assets and liabilities:		
Decrease in accounts receivable	12,723	44,576
(Decrease) increase in other assets	208,063	(116,966)
Increase (decrease) in accounts payable and accrued expenses	1,302,391	(262,341)
TOTAL ADJUSTMENTS	(1,588,722)	(9,476,463)
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,498,467	5,171,181
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(5,452,374)	(705,773)
Cash received through inherent contribution (NOTE 1)	-	2,436,877
Proceeds from sales of investments	499,999	280,000
Purchases of investments	(120,065)	(1,203,909)
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(5,072,440)	807,195
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from loan payable	4,000,000	396,900
Repayment of loan payable	(1,500,000)	-
Proceeds from NMTC notes payable	17,499,274	-
Donor restricted contributions for capital campaign	1,792,709	-
Issuance of NMTC notes receivable	(12,532,900)	-
Collections of capital campaign pledges receivable	1,400,000	1,650,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	10,659,083	2,046,900
NET INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	8,085,110	8,025,276
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR	9,875,064	1,849,788
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR	\$ 17,960,174	\$ 9,875,064
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Interest paid	\$ 161,668	\$ 5,520
SUPPLEMENTAL DISCLOSURES OF NON-CASH ACTIVITY:		
Noncash Investing Activity:		
In-kind stock contributions	\$ 492,708	\$ -
Noncash Financing Activity:		
Forgiveness of Paycheck Protection Loan	\$ 396,900	\$ -

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, 2021 AND 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. Overtown and HS were founded by the same family.

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 for the year ended June 30, 2020. MFF and HS continue to be separate legal entities as of June 30, 2021 and 2020. The entities share key functional areas such as Executive Management, Human Resources and Finance.

During the year ended June 30, 2020, Overtown established OYC Property Holdings, Inc. (“Holdings”) to facilitate financing in arrangements structured under the New Market Tax Credit (“NMTC”) program. This program, enacted by Congress as part of the Community Renewal Relief Act of 2000, permits individual and corporate taxpayers to receive credit against federal and state income taxes for making Quality Equity Investment (“QEI”) loans in qualified community development entities (“CDE”). The NMTC transaction was effectuated during the year ended June 30, 2021(NOTE 11).

OYC Property Holdings is a non-profit charitable organization established and incorporated in the State of Florida in February 2020, as a 501(c)(3) organization.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The consolidated financial statements reflect the consolidated financial position and results of operations and cash flows of Overtown, MFF, HS and Holdings. All intercompany transactions and balances have been eliminated upon consolidation.

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

The consolidated financial statements of OYC are prepared on the accrual basis of accounting in accordance with U.S. GAAP. Assets are presented in the accompanying consolidated statements of financial position according to their nearness of their conversion to cash and liabilities according to their nearness of their maturity and resulting use of cash. Net assets, revenues, gains and losses are classified into two classes of net assets based on the existence or absence of donor-imposed restrictions.

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.

In the supplemental consolidating schedule of activities, OYC considers related party activity regarding the NMTC to be nonoperating activity.

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.

Income Taxes

The Organizations are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code") as charitable organizations whereby only unrelated business income, as defined by Section 509(a)(1) of the Code, is subject to federal income tax and under similar provisions of the Florida Statutes. The Organizations currently have no unrelated business income. Accordingly, no provision for income taxes has been recorded as of June 30, 2021 and 2020.

The Organizations recognize and measure 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. No uncertain tax positions were identified by the Organizations as of June 30, 2021 and 2020.

The U.S. federal jurisdiction is the major tax jurisdiction where the Organizations file income tax returns. Overtown, MFF and HS are generally no longer subject to U.S. Federal or State examinations by tax authorities for fiscal years before 2018. All years since inception are open for examination by U.S. Federal tax authorities for Holdings.

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021 AND 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. During the year ended June 30, 2021, OYC established restricted cash reserve accounts with closing proceeds from the NMTC transaction. The cash in these accounts is restricted to use for payment of NMTC fees (NOTE 11) and is shown within the line item Restricted cash – capital project and reserves on the accompanying consolidated statements of financial position. OYC also maintains restricted cash accounts with amounts received in connection with certain programs, such as the capital campaign 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 statements of cash flows includes cash and cash equivalents of \$2,685,571 and \$1,297,382 at June 30, 2021 and 2020, respectively, and restricted cash of \$15,274,603 and \$8,577,682, at June 30, 2021 and 2020, respectively, as reported in the consolidated statements of financial position.

Accounts Receivable

Accounts receivable include amounts due for program services and are primarily related to grants and contracts with government agencies. 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, 2021 and 2020.

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. Investment fees are reported net of investment income.

Pledges Receivable, Net

Pledges receivable represent promises to give that have been made by donors but are unpaid as of the fiscal year-end and consist primarily of unconditional pledges from individuals, corporations, and foundations. Donors' promises to give cash and other assets that are conditional are not recognized until the conditions on which they depend are substantially met. 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. The interest rate used in computing the discount of the estimated future cash flows is 6%. All pledges are designated by the donors for the capital campaign project. No allowance was deemed necessary by management at June 30, 2021 and 2020.

Two and three donors account for 96% and 64% of pledges receivable as of June 30, 2021 and 2020, respectively. There were no conditional promises to give as of June 30, 2021 and 2020.

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment, Net

Property and equipment is 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. OYC's policy is to capitalize all property and equipment expenditures greater than \$1,000.

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

The carrying value of long-lived assets is reviewed if the facts and circumstances, such as significant declines in revenues, earnings or cash flows or material adverse changes in the operating climate, indicate that they may be impaired. If any impairment in the value of the long-lived assets is indicated, the carrying value of the long-lived assets is adjusted to reflect such impairment based on the fair value of the impaired assets or an estimate of fair value based on discounted cash flows. Management determined that there was no impairment of long-lived assets during the years ended June 30, 2021 and 2020.

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. The amounts received under these grants and contracts are considered contributions and are designated for specific purposes by the granting agencies and conditional upon the incurrence of allowable qualifying expenses.

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

For exchange transactions, OYC applies Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606). Under ASC 606, revenue is recognized when a customer obtains control of promised goods or services in the amount that reflects consideration the entity is entitled to receive in exchange for those goods or services. OYC adopted Topic 606 on July 1, 2020 using the modified retrospective method. The modified retrospective adoption method requires OYC to record a transition adjustment for the new revenue standard, if any, as a cumulative effect adjustment to beginning net assets as of the date of adoption. No adjustment to OYC's beginning net assets were required as a result of adopting Topic 606.

Overtown conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event— the exchange component, and a portion represents a contribution to Overtown. Unless a verifiable objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to Overtown. The contribution component is the excess of the gross proceeds over the fair value of the direct donor benefit.

In-kind Revenue and Expense

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 14).

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 Pronouncement

Revenue from Contracts with Customers

OYC adopted Accounting Standard Update ("ASU") 2014-09 (Topic 606) – Revenue from Contracts with Customers, beginning July 1, 2020. Refer to Revenue Recognition foot note for more information.

Recent Accounting Pronouncements

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.

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (Continued)

Lease Accounting (Continued)

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, 2021, and for interim periods within fiscal years beginning after December 15, 2022, with early adoption permitted.

Reference Rate Reform

In March 2020, the FASB issued an accounting standard update to provide guidance related to recognizing the effects of reference rate reform on financial reporting. The update applies to all entities that have contracts, hedging relationships, or other transactions that reference LIBOR or another reference rate expected to be discontinued. Entities may elect to apply the update prospectively through December 31, 2022. OYC is currently evaluating the potential accounting, transition, and disclosure effects the update will have on its consolidated financial statements.

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.

Summarized Comparative Totals

Certain consolidated financial statements for the year ended June 30, 2021 include prior year summarized comparative information in total, however the detail of the prior year information is presented separately in the consolidated financial statements.

Reclassifications

Certain items in the 2020 consolidated financial statements have been reclassified to conform to the 2021 presentation.

3. LIQUIDITY MANAGEMENT AND AVAILABILITY OF RESOURCES

OYC maintains a policy of structuring its financials 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 a line of credit available with total borrowing capacity of \$150,000, which can be used to meet general expenditures (NOTE 13).

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 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, 2021 and 2020, reduced by amounts that are not available for general use due to contractual or donor-imposed restrictions.

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 2,685,571	\$ 1,297,382
Restricted cash - dinner program	630,579	405,263
Restricted cash - scholarships	30,412	35,722
Restricted cash - capital campaign	14,613,612	8,136,697
Accounts receivable	378,175	390,898
Investments	3,986,011	3,509,944
Pledges receivable, net	<u>3,068,468</u>	<u>4,365,616</u>
 Total financial assets	 <u>25,392,828</u>	 <u>18,141,522</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	17,365,168	15,224,212
Funds for capital project	1,710,786	-
NMTC reserves	<u>603,051</u>	<u>-</u>
 Total financial assets not available to be used within one year	 <u>19,679,005</u>	 <u>15,224,212</u>
 Financial assets available to meet general expenditures within one year	 <u>\$ 5,713,823</u>	 <u>\$ 2,917,310</u>

The notes receivable for the NMTC are excluded from financial assets above as they will not be converted to cash in the next year.

4. ACCOUNTS RECEIVABLE

Accounts receivable of approximately \$378,000 and \$391,000 at June 30, 2021 and 2020, respectively, are primarily from grantors. No allowance was deemed necessary as all amounts were collected subsequent to the year ended June 30, 2021 and 2020.

5. PLEDGES RECEIVABLE, NET

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

	<u>2021</u>	<u>2020</u>
Pledges due in:		
Less than one year	\$ 2,050,000	\$ 2,675,000
One to five years	1,075,000	1,650,000
Over five years	<u>100,000</u>	<u>300,000</u>
	3,225,000	4,625,000
Less: Discount on long-term pledges	<u>(156,532)</u>	<u>(259,384)</u>
 Pledges receivable, net	 <u>\$ 3,068,468</u>	 <u>\$ 4,365,616</u>

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

5. PLEDGES RECEIVABLE, NET (CONTINUED)

The following represents the expected payment schedule of pledges receivable as of June 30, 2021:

During the years ending June 30,:		
	2022	\$ 2,050,000
	2023	475,000
	2024	200,000
	2025	200,000
	2026	100,000
	Thereafter	200,000
		<u>\$ 3,225,000</u>

6. INVESTMENTS

For the years ended June 30, 2021 and 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,:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 75,947	\$ -
Fixed income securities	2,049,431	1,146,942
Equity securities	1,860,633	2,363,002
	<u>\$ 3,986,011</u>	<u>\$ 3,509,944</u>

The following schedules summarize the investment income, net of fees and its classification in the consolidated statements of activities.

	<u>Year Ended June 30, 2021</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net unrealized gains	\$ 268,998	\$ 94,295	\$ 363,293
Interest, dividends and realized income, net of fees	79,709	28,947	108,656
Total investment income, net	<u>\$ 348,707</u>	<u>\$ 123,242</u>	<u>\$ 471,949</u>
	<u>Year Ended June 30, 2020</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net unrealized gains	\$ 40,148	\$ 10,020	\$ 50,168
Interest, dividends and realized income	167,391	47,927	215,318
Total investment return	<u>\$ 207,539</u>	<u>\$ 57,947</u>	<u>\$ 265,486</u>

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

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, 2021 and 2020.

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

Equity securities 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 (except long term pledges receivables and the NMTC assets/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. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

7. FAIR VALUE MEASUREMENTS (CONTINUED)

The following table represents OYC's financial instruments measured at fair value on a recurring basis at June 30, 2021 for each of the fair value hierarchy levels:

Description	Fair Value 6/30/2021	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:				
Cash and cash equivalents	\$ 75,947	\$ 75,947	\$ -	\$ -
Fixed income securities	2,049,431	2,049,431	-	-
Equity securities	1,860,633	1,860,633	-	-
	\$ 3,986,011	\$ 3,986,011	\$ -	\$ -

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 securities	\$ 1,146,942	\$ 1,146,942	\$ -	\$ -
Equity securities	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,:

	2021	2020
Automobiles	\$ 127,814	\$ 127,814
Computers and software	62,950	45,664
Furniture, fixtures and equipment	83,173	96,373
Construction in progress	6,839,212	1,390,924
	7,113,149	1,660,775
Less: accumulated depreciation and amortization	(218,274)	(193,961)
	\$ 6,894,875	\$ 1,466,814

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

8. PROPERTY AND EQUIPMENT, NET (CONTINUED)

Depreciation and amortization expense was \$24,313 and \$45,685 for the years ended June 30, 2021 and 2020, respectively. Interest expense capitalized into Construction in progress was approximately \$61,000 for the year ended June 30, 2021.

Construction in progress of \$6,839,212 and \$1,390,924 as of June 30, 2021 and 2020, respectively, relates to planning and construction of the new OYC facility. The estimated remaining cost to complete is approximately \$13,000,000 as of June 30, 2021. The remaining commitment to the main general contractor is disclosed in NOTE 18.

9. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Payroll and vacation	\$ 119,445	\$ 183,741
Scholarships	174,279	143,920
Professional fees	37,000	28,000
Construction related payables, including accumulated retainage	1,326,506	-
Accounts payable and other	25,905	25,083
	<u>\$ 1,683,135</u>	<u>\$ 380,744</u>

10. PAYCHECK PROTECTION PROGRAM

During the year ended June 30, 2020, the Overtown and HS applied for, and received, funds under the United States Business Administration ("SBA") Paycheck Protection Program ("PPP") in the amounts of \$360,000 and \$36,900, respectively. The application for these funds required Overtown and HS to, in good faith, certify that the current economic uncertainty made the loan request necessary to support their ongoing operations. This certification further required them to take into account its current business activity and its ability to access other sources of liquidity sufficient to support ongoing operations in a manner that is not significantly detrimental to the business.

The receipt of these funds, and the forgiveness of the loan attendant to these funds, was dependent on Overtown and HS having initially qualified for the loan and qualifying for the forgiveness of such loan based on its future adherence to the forgiveness criteria. 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.

The SBA has stated that all PPP loans in excess of \$2 million, and other PPP loans as appropriate, will be subject to review by the SBA for compliance with program requirements. If the SBA determines in the course of its review that a borrower lacked an adequate basis for the required certification concerning the necessity of the loan request or the subsequent use of loan proceeds, the SBA will seek repayment of the PPP loan, including interest and potential penalties.

Overtown and HS received formal forgiveness from the SBA for the full loan amounts during the year ended June 30, 2021.

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

11. NMTC – NOTES RECEIVABLE AND NOTES PAYABLE

NMTC notes receivables are comprised of the following at June 30, 2021:

Overtown Youth Center, Inc.	2021
USBCDC Investment Fund 300, LLC with interest accruing at an annual rate of 1%. Interest-only quarterly payments are due through July 2027 (Compliance Period) and then principal and interest payments of \$145,357 due quarterly through maturity in July 2050.	\$ 2,973,400
TNT-Overtown NMTC Fnd, LLC with interest accruing at an annual rate of 1%. Interest-only quarterly payments are due through July 2027 (Compliance Period) and then principal and interest payments of \$582,958 due quarterly through maturity in July 2050.	9,559,500
	<u>\$ 12,532,900</u>

In order to fund the NMTC notes receivable, Overtown obtained a bridge loan from a financial institution of \$4,000,000 (NOTE 12), and also received contributions from related parties of \$8,000,000. In addition, to fund the pay down on the bridge loan during the year, Overtown received an additional approximately \$1.5 million from related parties. These related party transactions are eliminated upon consolidation. Interest income received by Overtown from the notes receivable was \$62,316 during the year ended June 30, 2021 and was eliminated upon consolidation.

NMTC notes payable are comprised of the following at June 30, 2021:

OYC Property Holdings, Inc.	2021
CSDP Subsidiary CDE 13, LLC	
Loan A - 1	\$ 500,000
Loan A - 2	2,473,400
Loan B	946,600
FCNMF 31, LLC	
Loan A - 1	1,000,000
Loan A - 2	8,559,500
Loan B	4,840,500
	<u>18,320,000</u>
Less: Debt issuance costs of \$820,726, net of accumulated amortization of \$12,250	(808,476)
	<u>\$ 17,511,524</u>

The notes payable to CSDP Subsidiary CDE 13, LLC totaling \$3,920,000 accrue interest at an annual rate of 1.16%. Interest-only quarterly payments are due through July 2027 (Compliance Period) and then principal and interest payments of \$165,605 are due through maturity in July 2054.

The notes payable to FCNMF 31, LLC totaling \$14,400,000 accrue interest at an annual rate of 1.084%. Interest-only quarterly payments are due through July 2027 (Compliance Period) and then principal and interest payments of \$618,648 are due through maturity in July 2054.

Interest expense paid to CSDP Subsidiary CDE 13, LLC and FCNMF 31, LLC was \$100,224 during the year ended June 30, 2021.

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

11. NMTC – NOTES RECEIVABLE AND NOTES PAYABLE (CONTINUED)

In July 2020, Holdings obtained financing in an arrangement structured under the NMTC program. 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 (the Compliance Period) in exchange for the investments.

Under IRS guidelines for the NMTC program, Overtown was required to provide investment funding (leverage loans) into Qualified Equity Investment (“QEI”) funds: (1) USBCDC Investment Fund 300 (“USBCDC”), owned by U.S. Bancorp Community Development Corporation and (2) TNT-Overtown NMTC Fund, LLC (“TNT”), owned by The Northern Trust Company. The first seven years of the notes are defined as the Compliance Period. During the Compliance Period, only interest is paid. Thereafter, the loans are amortized with principal and interest payments required through maturity. Overtown used funds raised for the capital campaign and the bridge loan (NOTE 12) to fund these leverage loans. The leverage loans are recorded as “New Market Tax Credit (NMTC) notes receivable” in the accompanying consolidated statements of financial position.

As a component of the NMTC transaction, Holdings, also known as the Qualified Low-Income Community Investment (“QLICI”), received two loans from CDEs: (1) CSDP Subsidiary CDE 13, LLC (“CSDP”) and (2) FCNMF 31, LLC (“FCNMF”). USBCDC is the majority owner in CSDP and TNT is the majority owner in FCNMF. During the Compliance Period, only interest is paid. Thereafter, the loans are amortized with principal and interest payments required through maturity. The loans are recorded as “NMTC notes payable” in the accompanying consolidated statements of financial position and are recorded net of debt issuance costs.

There are put and call agreements between the Organizations and the other investors in the QEI funds (which have ownership interests in the CDEs making the loans). If the other investors do not exercise their put options, Organizations have the ability to call the ownership in the interest in the QEI funds for fair market value. It is anticipated that the NMTC investors will put their option, and Organizations will own the QEI funds at the end of the Compliance Period. However, if the other investors do not put their interest, management plans to exercise its option to call. By acquiring the ownership interests, Organizations would be in a position to forgive the NMTC notes payable, resulting in substantial reduction in outstanding debt and recognition of the benefits from the NMTC program (in turn, it is expected that the Organizations would forgive the NMTC notes receivable).

In July 2027, the NMTC Compliance Period will end. In the opinion of management, it is expected that the other investors in the QEI funds will exercise their put option related to the transaction, which will retire the debt and the related notes receivable.

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

12. BRIDGE LOAN

As part of the NMTC transaction (NOTE 11), Overtown entered into a non-revolving loan agreement with The Northern Trust Company for a total of \$4,000,000. The loan is payable in a single installment due on July 2, 2025, the maturity date and quarterly interest only payments are due until maturity. 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. The interest rate on the loan was 1.84% at June 30, 2021. The loan has a balance of \$2,500,000 at June 30, 2021. Total interest expense paid during the year ended June 30, 2021 was approximately \$61,000 which was fully capitalized into construction in progress.

13. 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 5.39%, resulting in an interest rate of 5.65% at June 30, 2021 and 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. There were no borrowings on the line of credit during the year ended June 30, 2021. There was no balance outstanding as of June 30, 2021 and 2020.

MFF had another line of credit from another financial institution with a maximum borrowing amount of \$150,000, which expired in February, 2021. The line of credit had 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 was unsecured. Total interest expense in connection with line of credit was \$5,273 for the year ended June 30, 2020. There were no borrowings on the line of credit during the year ended June 30, 2021.

There were no balances outstanding under either line of credit as of June 30, 2021 and 2020.

14. 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.

15. SIGNIFICANT GRANTORS AND CONTRIBUTORS

OYC receives revenue from various sources, which help fund the operational activities of the center and fund the capital project. One and four donors accounted for 18% and 40% of total contributions from the public during the years ended June 30, 2021 and 2020, respectively. Three and four donors accounted for 73% and 96% of total grant revenue during the years ended June 30, 2021 and 2020, respectively.

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

16. 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,:

	<u>2021</u>	<u>2020</u>
Restricted by donors with specific purpose restrictions:		
Dinner program	\$ 630,579	\$ 405,263
Scholarship program	48,172	48,482
Perpetual endowment and related accumulated earnings	1,161,642	1,038,400
Capital project	12,299,775	9,107,067
Restricted by donors with time restrictions:		
Pledges receivable for capital project	<u>3,225,000</u>	<u>4,625,000</u>
	<u>\$ 17,365,168</u>	<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 project 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 (NOTE 17).

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

	<u>2021</u>	<u>2020</u>
Dinner program	\$ 300,300	\$ 300,000
Endowment-related earnings	123,242	57,947
Restricted for capital project	<u>1,792,709</u>	<u>6,374,393</u>
Total additions	<u>\$ 2,216,251</u>	<u>\$ 6,732,340</u>
Program restriction accomplished - dinner	\$ (74,984)	\$ (141,327)
Program restriction accomplished - scholarships	<u>(311)</u>	<u>(7,400)</u>
Total releases from restrictions	<u>\$ (75,295)</u>	<u>\$ (148,727)</u>

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

17. 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.

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 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.

Summary of Endowment Net Assets at June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Original donor restricted gift in perpetuity	\$ -	\$ 670,000	\$ 670,000
Accumulated earnings on restricted gift held in perpetuity	-	491,642	491,642
Total endowment net assets	\$ -	\$ 1,161,642	\$ 1,161,642

Summary of Endowment Net Assets at June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 670,000	\$ 670,000
Accumulated earnings on restricted gift held in perpetuity	-	368,400	368,400
Total endowment net assets	\$ -	\$ 1,038,400	\$ 1,038,400

Changes in endowment net assets during the year ended June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning	\$ -	\$ 1,038,400	\$ 1,038,400
Interest, dividends and realized income, net	-	28,947	28,947
Unrealized gains	-	94,295	94,295
Endowment net assets, ending	\$ -	\$ 1,161,642	\$ 1,161,642

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

17. ENDOWMENT (CONTINUED)

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

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

Endowment assets are invested as follows as of June 30:

	2021	2020
Investments	\$ 1,161,642	\$ 1,038,400

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 years ended June 30, 2021 and 2020. In accordance with U.S. GAAP, no deficiencies of this nature existed at June 30, 2021 and 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.

18. COMMITMENTS AND CONTINGENCIES

Grants

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.

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

18. COMMITMENTS AND CONTINGENCIES

Operating Leases

On November 30, 2019, Overtown assumed MFF's operating office lease which is leased on a month-to-month basis. Rent expense in connection with this lease was approximately \$12,000 during the years ended June 30, 2021 and 2020, respectively. OYC also assumed a lease for office equipment expiring in November 2023. The approximate future minimum lease payments are as follows for the years ending June 30.:

2022	\$	8,000
2023		8,000
2024		2,700
Total	\$	<u>18,700</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 remaining commitment under the contract is approximately \$10,363,000 as of June 30, 2021.

19. RISKS AND UNCERTAINTIES

Concentration of Credit Risk

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.

Litigation

In the ordinary course of business, OYC is involved in various legal proceedings. Based upon OYC's evaluation of the information presently available, management believes that the ultimate resolution of any such proceedings will not have a material adverse effect on OYC's financial position, liquidity or results of operations.

20. SUBSEQUENT EVENT

OYC has evaluated subsequent events through December 27, 2021, which is the date the consolidated financial statements were available to be issued, and except as noted herein, there are no other subsequent events requiring adjustments to the consolidated financial statements or disclosures stated herein. In October 2021, OYC learned that it was the target of a cybercriminal attack and that portions of its computer network were infected with malware. Management immediately took systems offline and with the help of cybersecurity professionals, launched an investigation into the nature and scope of the incident. Management does not believe that any data was compromised. Management evaluated the governmental and regulatory notification requirements and notified the Federal Bureau of Investigation. Management evaluated the effect on the OYC's operations and financial condition and there have been no costs to date. Given the uncertainty associated with cybercriminal attacks, there could be potential losses in the future that might affect the OYC's operations or financial condition. Management has not recorded any amounts in the consolidated financial statements due to this uncertainty.



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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

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, 2021, 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 27, 2021.

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 consolidated 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 27, 2021

BDO USA, LLP
Certified Public Accountants

SUPPLEMENTARY SCHEDULES

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
JUNE 30, 2021

ASSETS

	Overtown Youth Center, Inc.	Mourning Family Foundation, Inc.	Honey Shine, Inc.	OYC Property Holdings, Inc.	Eliminations	Total
Cash and cash equivalents	\$ 2,384,306	\$ 48,931	\$ 252,334	\$ -	\$ -	\$ 2,685,571
Restricted cash - dinner program	630,579	-	-	-	-	630,579
Restricted cash - scholarships	30,412	-	-	-	-	30,412
Restricted cash - capital project and reserves	-	1,675,562	-	12,938,050	-	14,613,612
Accounts receivable	351,475	-	26,700	-	-	378,175
Other assets	25,842	-	4,518	-	-	30,360
Investments	3,979,410	-	6,601	-	-	3,986,011
Pledges receivable, net	-	3,068,468	-	-	-	3,068,468
New Market Tax Credit (NMTC) notes receivable	12,532,900	-	-	-	-	12,532,900
Property and equipment, net	112,173	878,341	4,934	5,899,427	-	6,894,875
TOTAL ASSETS	\$ 20,047,097	\$ 5,671,302	\$ 295,087	\$ 18,837,477	\$ -	\$ 44,850,963

LIABILITIES AND NET ASSETS

LIABILITIES:						
Accounts payable and accrued expenses	\$ 356,629	\$ -	\$ -	\$ 1,326,506	\$ -	\$ 1,683,135
NMTC notes payable, net of debt issuance costs	-	-	-	17,511,524	-	17,511,524
Loan payable	2,500,000	-	-	-	-	2,500,000
TOTAL LIABILITIES	2,856,629	-	-	18,838,030	-	21,694,659
NET ASSETS						
Without donor restrictions	5,265,996	230,606	295,087	(553)	-	5,791,136
With donor restrictions	11,924,472	5,440,696	-	-	-	17,365,168
TOTAL NET ASSETS	17,190,468	5,671,302	295,087	(553)	-	23,156,304
TOTAL LIABILITIES AND NET ASSETS	\$ 20,047,097	\$ 5,671,302	\$ 295,087	\$ 18,837,477	\$ -	\$ 44,850,963

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES

CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	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	\$ 1,820,195	\$ -	\$ 175,654	\$ -	\$ -	\$ 1,995,849
Contributions	2,627,381	120,256	53,910	-	-	2,801,547
Special events	36,351	15,198	15,301	-	-	66,850
In-kind contributions	334,512	-	-	-	-	334,512
Gain from Paycheck Protection Program loan forgiveness	360,000	-	36,900	-	-	396,900
Investment income, net	347,742	-	965	-	-	348,707
Interest income	62,316	-	-	-	(62,316)	-
Net assets released from restrictions	75,294	-	-	-	-	75,294
TOTAL SUPPORT AND REVENUE	5,663,791	135,454	282,730	-	(62,316)	6,019,659
EXPENSES						
Program services	3,178,523	-	205,273	-	-	3,383,796
Supporting services:						
Management and general	383,560	22,762	7,101	128,471	(62,316)	479,578
Fundraising	172,164	21,191	16,697	-	-	210,052
TOTAL EXPENSES	3,734,247	43,953	229,071	128,471	(62,316)	4,073,426
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	1,929,544	91,501	53,659	(128,471)	-	1,946,233
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:						
Contributions	793,008	1,300,000	-	-	-	2,093,008
Investment income, net	123,242	-	-	-	-	123,242
Net assets released from restrictions	(75,294)	-	-	-	-	(75,294)
INCREASE IN NET ASSETS WITH DONOR RESTRICTIONS	840,956	1,300,000	-	-	-	2,140,956
INCREASE (DECREASE) IN NET ASSETS BEFORE NON OPERATING ACTIVITY	2,770,500	1,391,501	53,659	(128,471)	-	4,087,189
CONTRIBUTIONS RECEIVED FROM RELATED PARTIES	9,576,959	-	-	127,918	(9,704,877)	-
CONTRIBUTIONS PAID TO RELATED PARTIES	-	(1,704,877)	-	(8,000,000)	9,704,877	-
TOTAL NON OPERATING ACTIVITY	9,576,959	(1,704,877)	-	(7,872,082)	-	-
INCREASE (DECREASE) IN NET ASSETS AFTER NON OPERATING ACTIVITY	12,347,459	(313,376)	53,659	(8,000,553)	-	4,087,189
NET ASSETS, BEGINNING OF YEAR	4,843,009	5,984,678	241,428	8,000,000	-	19,069,115
NET ASSETS, END OF YEAR	\$ 17,190,468	\$ 5,671,302	\$ 295,087	\$ (553)	\$ -	\$ 23,156,304