

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES

INDEPENDENT AUDITOR'S REPORT ON

AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED JUNE 30, 2023 AND 2022



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
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 statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, functional expenses and cash flows for the years 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, 2023 and 2022 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 audits. 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 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 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 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, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2023 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.



Cooper City, Florida
December 4, 2023

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2023 and 2022

	2023	2022
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 6,263,883	\$ 3,941,029
Restricted cash - dinner program	738,764	673,701
Restricted cash - scholarships	30,229	30,229
Restricted cash - capital project and reserves	2,232,006	5,384,747
Accounts receivable	651,174	537,828
Other assets	41,819	262,396
Total Current Assets	9,957,875	10,829,930
Non-Current Assets		
Investments	3,618,076	3,389,256
Pledges receivable, net	1,257,896	2,654,576
New Market Tax Credit (NMTC) notes receivable	12,532,900	12,532,900
Property and Equipment, Net	21,704,502	15,642,175
Finance Lease Asset (ROU), Net	21,517	-
Total Non-Current Assets	39,134,891	34,218,907
TOTAL ASSETS	49,092,766	45,048,837
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Expenses	1,412,586	1,550,000
Current Portion - Lease Liability	8,236	-
Total Current Liabilities	1,420,822	1,550,000
Non-Current Liabilities		
Loans Payable	500,000	1,250,000
NMTC notes payable, net of debt issuance costs	17,560,522	17,536,023
Non-Current Portion - Lease Liability	15,054	-
Total Non-Current Liabilities	18,075,576	18,786,023
TOTAL LIABILITIES	19,496,398	20,336,023
NET ASSETS		
Without Donor Restrictions	6,273,531	6,549,558
With Donor Restrictions	23,322,837	18,163,256
TOTAL NET ASSETS	29,596,368	24,712,814
TOTAL LIABILITIES AND NET ASSETS	\$ 49,092,766	\$ 45,048,837

"The accompanying notes are an integral part of this financial statement"

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2023 and 2022

	2023	2022
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
REVENUE AND SUPPORT		
Grants	\$ 2,688,042	\$ 3,137,512
Contributions	3,315,368	3,121,087
Special events	-	200
In-kind contributions	972,845	228,462
Investment (loss) income, net	170,196	(499,277)
Other income	125,329	269,602
	7,271,780	\$6,257,586
Reclassifications		
Net Assets Released from Restrictions	184,947	57,052
TOTAL REVENUE AND SUPPORT	7,456,727	6,314,638
EXPENSES:		
Program Services	6,652,515	4,670,413
Support Services		
Management and general	772,673	605,326
Fundraising	306,173	280,477
TOTAL EXPENSES	7,731,361	5,556,216
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(274,634)	758,422
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions	5,285,000	953,001
Investment (loss) income, net	59,528	(97,861)
Net assets released from restrictions	(184,947)	(57,052)
INCREASE IN NET ASSETS WITH DONOR RESTRICTIONS	5,159,581	798,088
CHANGE IN NET ASSETS	4,884,947	1,556,510
NET ASSETS AT BEGINNING OF YEAR	24,712,814	23,156,304
Prior Period Adjustment (Lease implementation)	(1,393)	-
NET ASSETS AT BEGINNING OF YEAR (Restated)	24,711,421	23,156,304
NET ASSETS AT END OF YEAR	\$ 29,596,368	\$ 24,712,814

"The accompanying notes are an integral part of this financial statement"

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

DESCRIPTION	PROGRAM		SUPPORTING SERVICES		TOTAL
	PROGRAMS	MANAGEMENT AND GENERAL	FUNDRAISING		
Direct Expenses:					
Payroll	\$ 3,227,832	\$ 252,056	\$ 130,354	\$	3,610,242
Payroll taxes and benefits	334,169	144,394	-		478,563
Total Direct Expenses	3,562,001	396,450	130,354		4,088,805
Indirect Expenses:					
NMTC fees (including interest)	-	233,925	-		233,925
Bank and finance charges	-	15,411	-		15,411
Depreciation and amortization	106,618	-	-		106,618
Equipment rental	20,296	-	-		20,296
Fees and memberships	33,484	9,439	-		42,923
Field trips	70,076	-	-		70,076
Insurance	59,113	14,778	-		73,891
Maintenance expense	10,766	-	-		10,766
Lease Expense	-	9,968	-		9,968
Office expenses	139,294	61,667	71,181		272,142
Occupancy	19,091	3,579	1,193		23,863
Student services	35,844	-	-		35,844
Food	473,660	-	-		473,660
Professional fees	83,655	11,054	-		94,709
Program Supplies	275,257	-	-		275,257
Travel and Transportation	577,041	13,251	-		590,292
Training and Seminars	13,790	-	-		13,790
Utilities	13,812	2,518	-		16,330
Miscellaneous	32,156	633	634		33,423
Events/Community/Partnerships	153,716	-	102,811		256,527
Inkind	972,845	-	-		972,845
Total Indirect Expenses:	3,090,514	376,223	175,819		3,642,556
Total Expenses	\$ 6,652,515	\$ 772,673	\$ 306,173	\$	7,731,361

"The accompanying notes are an integral part of this financial statement"

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

DESCRIPTION	PROGRAM		SUPPORTING SERVICES		TOTAL
	PROGRAMS	MANAGEMENT AND GENERAL	FUNDRAISING		
Direct Expenses:					
Payroll and related expenses	\$ 2,894,062	\$ 326,335	\$ 163,598	\$	3,383,995
Total Direct Expenses	2,894,062	326,335	163,598		3,383,995
Indirect Expenses:					
NMTC fees	-	64,871	-		64,871
Occupancy (including in-kind of \$48,000)	56,215	-	-		56,215
Office expenses (including in-kind of \$18,575)	304,982	53,791	34		358,807
Telephone	11,081	10,181	-		21,262
Travel and transportation	45,424	9,227	-		54,651
Interest	-	35,867	-		35,867
Postage and shipping	345	1,879	-		2,224
Printing and publications	-	-	4,109		4,109
Insurance	122,869	34,030	-		156,899
Licenses and permits	852	213	-		1,065
Professional fees	45,410	21,723	-		67,133
Field trips	40,800	-	-		40,800
Student services	606,727	-	-		606,727
Food (in-kind)	12,150	-	-		12,150
Program goods (in-kind)	106,200	-	-		106,200
Depreciation and amortization	21,565	-	-		21,565
Equipment rental	111,542	25,891	1,994		139,427
Fees and memberships	-	9,451	-		9,451
Other (including in-kind of \$43,537)	290,189	11,867	110,742		412,798
Total Indirect Expenses:	1,776,351	278,991	116,879		2,172,221
Total Expenses	\$ 4,670,413	\$ 605,326	\$ 280,477	\$	5,556,216

"The accompanying notes are an integral part of this financial statement"

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 4,884,947	\$ 1,556,510
Adjustments to reconcile change in net assets to		
Net cash provided by operating activities		
Depreciation and amortization	85,439	21,565
Amortization of deferred debt issuance costs	24,499	24,499
Non-cash stock contributions	-	(501,298)
Amortization of discount on pledges receivable	(3,320)	(61,108)
Donor restricted contributions for capital campaign	5,035,000	853,000
Unrealized loss (gain) on investments	(228,820)	693,992
Amortization of lease asset	8,068	-
 Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(113,346)	(159,653)
(Decrease) increase in other assets	220,577	(232,036)
Decrease in accounts payable and accrued expenses	(137,414)	(1,191,490)
 NET CASH PROVIDED BY OPERATING ACTIVITIES	9,775,630	1,003,981
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(6,147,766)	(7,710,510)
Proceeds from sales of investments	-	3,366,444
Purchases of investments	-	(2,962,383)
NET CASH PROVIDED BY INVESTING ACTIVITIES	(6,147,766)	(7,306,449)
 CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of loan payable	(750,000)	(1,250,000)
Donor restricted contributions for capital campaign	(5,035,000)	(853,000)
Collections of capital campaign pledges receivable	1,400,000	475,000
Payment on finance leases	(7,688)	-
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(4,392,688)	(1,628,000)
 NET (DECREASE) INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(764,824)	(7,930,468)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR	10,029,706	17,960,174
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR	\$ 9,264,882	\$ 10,029,706

SUPPLEMENTAL DISCLOSURES OF NON-CASH ACTIVITY:

Non-cash Operating and Investing Activity:		
Purchase of property and equipment recorded as accounts payable	1,083,636	1,058,355
Interest paid capitalized	49,855	38,000
In-kind stock contributions	-	501,298
Non Cash Recognition of Finance Lease (ROU Asset) as per ASC 842	29,585	-
Non Cash Recognition of Finance Lease (ROU Liability) as per ASC 842	30,978	-

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

Note 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 and expects to complete the project by February 2024.

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, 2023 and 2022. 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.

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

Note 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.

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.

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, 2023 and 2022.

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, 2023 and 2022.

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

Note 2 - Summary of Significant Accounting Policies (Cont.)

Income Taxes (Cont.)

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 2020. All years since inception are open for examination by U.S. Federal tax authorities for Holdings.

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, 2022, 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 \$6,263,883 and \$3,941,029 at June 30, 2023 and 2022, respectively, and restricted cash of \$3,000,999 and \$6,088,677, at June 30, 2023 and 2022, 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.

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 statements of financial position.

Investment gains and losses (including realized and unrealized gains and losses on investments, interest and dividends) are included in the accompanying consolidated statements 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 unconditional 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 net 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 10%.

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

Note 2 - Summary of Significant Accounting Policies (Cont.)

Pledges Receivable, Net (Cont.)

All pledges are designated by the donors for the capital campaign project. No allowance was deemed necessary by management at June 30, 2023 and 2022.

Three and three donors account for 96% and 87% of pledges receivable as of June 30, 2023 and 2022, respectively. There were no conditional promises to give as of June 30, 2023 and 2022.

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:

Assets	Useful Life
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, 2023 and 2022.

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

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

Note 2 - Summary of Significant Accounting Policies (Cont.)

Revenue Recognition (Cont.)

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.

For exchange transactions, OYC applies Accounting Standards Codification 606, Revenue from Contracts with Customers (Topic 606). Under Topic 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.

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.

Revenue Recognition – Nonexchange Transactions - Grants

The organization receives grants and contribution revenue from a number of sources including the state government, private foundations, and other donors. Grants are evaluated as to whether they qualify as exchange transactions or contributions as defined by U.S. GAAP. Grants that primarily provide commensurate value to the general public are reported as contributions and recognized as eligible grant activities are conducted.

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 18).

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

Note 2 - Summary of Significant Accounting Policies (Cont.)

Functional Allocation of Expenses

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

Adopted Accounting Pronouncement - Leases

In February 2016, the FASB issued ASU No. 2016-02, Leases. ASU No. 2016-02 requires a lessee to recognize a liability to make lease payments and an asset representing its right of use the underlying asset for the lease term in the statement of financial position for both operating and capital (finance) leases. Topic 842 was subsequently amended by ASU 2018-01, Easement practical expedient for Transition to Topic 842; ASU 2018-10, codification Improvements to Topic 842; Leases and ASU No. 2018-11, Target Improvements. The new standard establishes a right-of-use (ROU) model that requires lessees to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. OYC adopted the new standard on July 1, 2022, and has used that as the date of the initial application. Consequently, financial information will not be updated, and the disclosures required under the new standard will not be provided for periods before the adoption date. Adoption of this standard as of July 1, 2022, resulted in the recognition of finance lease assets (ROU) and a corresponding increase in finance lease liabilities. See Note 18 for additional information.

The adoption of the new lease standards resulted in the following change to the net assets as of July 1, 2022:

	2023	2022
Net Assets at Beginning Of Year (July 1,2022)	24,712,814	23,156,304
Prior Period Adjustment (Lease implementation)	(1,393)	-
Net Assets At Beginning Of Year (Restated)	24,711,421	23,156,304

The effect of the adoption is a decrease in 2022 net assets by \$1,393 and a recording of lease assets and liabilities as on July 1, 2022, of \$29,585 and 30,978 respectively.

The retrospective method of transition requires disclosing the effect of applying the new guidance on each item included in the consolidated financial statements. Following are the line items from the consolidated balance sheet as of July 1, 2022, that were affected, the amounts that would have been reported under the former guidance, the effects of applying the new guidance, and the balances reported under the new guidance.

	Amounts that would have been Reported	Effects of applying New Guidance	As Reported
Non-Current Assets			
Right-to-Use Assets	\$ -	\$ 29,585	\$ 29,585
Non-Current Liabilities			
Lease Liability	-	(30,978)	(30,978)
Net Assets At Beginning Of Year	\$ 24,712,814	\$ (1,393)	\$ 24,711,421

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

Note 2 - Summary of Significant Accounting Policies (Cont.)

Adopted Accounting Pronouncement – Leases (Cont.)

The following are the line items from the consolidated statement of activities and the consolidated statement of cash flows for the year ended June 30, 2023, that were affected, the amounts that would have been reported under the former guidance, the effects of applying the new guidance, and the amounts that would have been reported under the new guidance:

	Amounts that would have been Reported	Effects of applying New Guidance	As Reported
Indirect Expenses:			
Equipment rental	\$ 29,884	\$ (9,588)	\$ 20,296
Lease Expense	-	9,968	9,968
Change In Net Assets	4,884,309	(380)	4,883,929
Cash Flows			
Change in net assets	4,884,309	(380)	4,883,929
Adjustments to reconcile change in net assets			
Amortization of lease asset	-	8,068	8,068
Cash Flows From Financing Activities:			
Payment on finance leases	\$ -	\$ 7,688	\$ 7,688

Recent Accounting Pronouncements - 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. In December 2022 FASB issued accounting standards update 2022-06 to defer the sunset date from December 31, 2022 to December 31, 2024. OYC is currently evaluating the potential accounting, transition, and disclosure effects the update will have on its consolidated financial statements.

Note 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 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
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

Note 3 - Liquidity Management and Availability of Resources (Cont.)

The summary below reflects OYC's consolidated financial assets available within one year as of June 30, 2023 and 2022, reduced by amounts that are not available for general use due to contractual or donor-imposed restrictions.

As of June 30,	2023	2022
Cash and cash equivalents	\$ 6,263,883	\$ 3,941,029
Restricted cash - dinner program	738,764	673,701
Restricted cash - scholarships	30,229	30,229
Restricted cash - capital campaign	2,232,006	5,384,747
Accounts receivable	651,174	537,828
Investments	3,618,076	3,389,256
Pledges receivable, net	1,257,896	2,654,576
Total Financial Assets	14,792,028	16,611,366
Less: amounts not available to be used within one year		
Restricted cash for capital project	2,232,006	5,384,747
Other restricted scholarships	17,760	17,760
Restricted cash for scholarships and dinner program	861,662	703,930
Perpetual endowment	670,000	670,000
Accumulated earnings on endowment	453,310	393,781
Pledge receivables, net	1,257,896	2,654,576
Total Financial Assets Not Available to be Used Within One Year	5,492,634	9,824,794
Financial assets available to meet general expenditures within one year	\$ 9,299,394	\$ 6,786,572

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

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

Note 4 – Restricted Cash

At June 30, 2023, restricted cash totaled \$ 3,000,999 (\$ 738,764 in “Dinner Program”, \$ 30,229 in “Scholarships”, and \$2,232,006 in “Capital Project and Reserve”). These funds were held at individual banks each. OYC was bound by contract to maintain the restricted cash in accounts at the bank, subjecting a significant balance to exceed the federally insured limits. The Capital Project and Reserve balance was contractually restricted under a grant agreement for the acquisition and development of a new location. The restriction will be removed as the funds are exhausted relating to the capital project and reserve funds.

Note 5 - Accounts Receivable

Accounts receivable of \$651,174 and \$537,828 at June 30, 2023 and 2022, respectively, are primarily from grantors. No allowance was deemed necessary as all amounts were collected subsequent to the year ended June 30, 2023 and 2022.

Note 6 - Pledges Receivable, Net

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

As of June 30,	2023	2022
Pledges due in:		
Less than one year	\$ 450,000	\$ 2,050,000
One to five years	500,000	600,000
Over five years	400,000	100,000
	1,350,000	2,750,000
Less: Discount on long-term pledges	(92,104)	(95,424)
 Pledges Receivable, net	 \$ 1,257,896	 \$ 2,654,576

The following represents the expected payment schedule of pledges receivable as of June 30, 2023:

Years	Amount
2024	\$ 450,000
2025	200,000
2026	100,000
2027	100,000
2028	100,000
Thereafter	400,000
	\$ 1,350,000

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

Note 7 – Investments

For the years ended June 30, 2023 and 2022, 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:

As of June 30,	2023	2022
Cash and cash equivalents	\$ 243,719	\$ 226,393
Fixed income	1,608,267	798,491
Equity securities	1,766,090	2,364,372
	\$ 3,618,076	\$ 3,389,256

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

Year Ended June 30, 2023	Without Donor Restrictions	With Donor Restrictions	Total
Net unrealized gains	\$ 98,144	\$ 47,938	\$ 146,082
Interest, dividends and realized income, net of fees	67,761	11,590	79,351
Total Investment Income, net	\$ 165,905	\$ 59,528	\$ 225,433

Year Ended June 30, 2022	Without Donor Restrictions	With Donor Restrictions	Total
Net unrealized gains	\$ (579,375)	\$ (114,617)	\$ (693,992)
Interest, dividends and realized income, net of fees	80,098	16,756	96,854
Total Investment Income, net	\$ (499,277)	\$ (97,861)	\$ (597,138)

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Note 8 - Fair Value Measurements

The FASB Accounting Standards Codification (ASC) 820, *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) and the lowest priority to unobservable inputs (Level 3).

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

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the University 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, 2023 and 2022.

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
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

Note 8 - Fair Value Measurements (Cont.)

The following table represents OYC's financial instruments measured at fair value on a recurring basis at June 30, 2023 for each of the fair value hierarchy levels:

Fair Value Measurement at Reporting Date Using:

Description	Fair Value 6/30/2023	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				
Domestic Corporate Bonds	\$ 757,360	\$ 757,360	\$ -	\$ -
Equity securities				
Domestic equities	1,766,090	1,766,090	-	-
	\$ 2,523,450	\$ 2,523,450	\$ -	\$ -

The following table represents OYC's financial instruments measured at fair value on a recurring basis at June 30, 2022 for each of the fair value hierarchy levels:

Fair Value Measurement at Reporting Date Using:

Description	Fair Value 6/30/2022	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				
Domestic Corporate Bonds	\$ 798,491	\$ 798,491	\$ -	\$ -
Equity securities				
Domestic equities	2,364,372	2,364,372	-	-
	\$ 3,162,863	\$ 3,162,863	\$ -	\$ -

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Note 9 - Property and Equipment, Net

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

As of June 30,	2023	2022
Automobiles	\$ 127,814	\$ 127,814
Computers and software	286,350	48,850
Furniture and fixtures	291,633	33,480
Construction in progress	21,242,165	15,608,077
	21,947,962	15,818,221
Less: accumulated depreciation and amortization	(243,459)	(176,046)
	\$ 21,704,503	\$ 15,642,175

Depreciation and amortization expense was \$85,439 and \$21,565 for the years ended June 30, 2023 and 2022, respectively. Interest expense capitalized into Construction in progress was approximately \$49,855 and \$38,000 for the year ended June 30, 2023 and 2022, respectively.

Construction in progress is of \$21,242,165 and \$15,608,077 as of June 30, 2023 and 2022, respectively, relates to planning and construction of the new OYC facility. The estimated remaining cost to complete is approximately \$861,806 as of June 30, 2023. The remaining commitment to the main general contractor is disclosed in Note 18.

Note 10 - Accounts Payable and Accrued Expenses

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

As of June 30,	2023	2022
Payroll and other accounts payable	\$ 170,862	\$ 188,517
Scholarships	143,098	150,636
Professional fees	14,990	39,000
Construction related payables, including accumulated retainage	1,083,636	1,058,355
Accounts payable and other	-	113,492
Total Accounts Payable and Accrued Expenses	\$ 1,412,586	\$ 1,550,000

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Note 11 - NMTC – Notes Receivable and Notes Payable

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

Overtown Youth Center, Inc.	2023	2022
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	\$ 2,973,400
TNT-Overtown NMTC Fund, 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	9,559,500
	\$ 12,532,900	\$ 12,532,900

In order to fund the NMTC notes receivable, Overtown obtained a bridge loan from a financial institution of \$4,000,000 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 \$1.25 million from related parties.

These related party transactions are eliminated upon consolidation. Interest income received by Overtown from the notes receivable was \$125,329 and \$125,329 during the year ended June 30, 2023 and 2022, respectively, and was eliminated upon consolidation.

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

OYC Property Holdings, inc.	2023	2022
CSDP Subsidiary CDE 13, LLC		
Loan A - 1	\$ 500,000	\$ 500,000
Loan A - 2	2,473,400	2,473,400
Loan B	946,600	946,600
FCNMF 31, LLC		
Loan A - 1	1,000,000	1,000,000
Loan A - 2	8,559,500	8,559,500
Loan B	4,840,500	4,840,500
	18,320,000	18,320,000
Less: Debt issuance costs of \$820,726, net of accumulated amortization of \$55,124 and \$18,375, respectively	(759,478)	(783,977)
	\$ 17,560,522	\$ 17,536,023

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Note 11 - NMTC – Notes Receivable and Notes Payable (Cont.)

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 \$201,568 and \$190,200 during the year ended June 30, 2023 and 2022, respectively.

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 11) 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
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Note 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 at 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 6.91% and 3.32% at June 30, 2023 and 2022, respectively. The loan has a balance of \$500,000 and \$1,250,000 at June 30, 2023 and 2022, respectively. Total interest expense paid during the year ended June 30, 2023 and 2022 was approximately \$49,800 and \$38,000, respectively, and was capitalized into construction in progress.

Note 13 - Line 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 November 15, 2024. Subsequent to the year ended June 30, 2022, the line of credit was renewed and amended to increase the maximum borrowing rate to \$500,000. 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 10.64% and 7.14% at June 30, 2023 and 2022, respectively. The line of credit is secured by receivables and property and equipment. There was no interest expense in connection with line of credit during the year ended June 30, 2023 and 2022. There were no borrowings on the line of credit during the year ended June 30, 2023. There was no balance outstanding as of June 30, 2023, and 2022.

Note 14 - 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 one donors accounted for 92% and 28% of total contributions from the public during the years ended June 30, 2023 and 2022, respectively. Three grantors accounted for 72% and 87% of total grant revenue during the years ended June 30, 2023 and 2022, respectively.

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES
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Note 15 - Contributions of Non-Financial Assets

Contributed non-financial assets during the years ended June 30, 2023 and 2022 were as follows:

Nonfinancial Asset	Revenue Recognized		Utilization in Program/ Activities	Donor Restrictions	Valuation Techniques/Inputs
	30-Jun-23	30-Jun-22			
Donated facilities	48,000	48,000	Youth Development	No donor restrictions	Based on estimated fair market value based on comparable square footage rate for storage space
Donated office expenses	2,400	18,575	Youth Development	No donor restrictions	The Organization estimated the fair value of laptops, office and school supplies, and other miscellaneous items based on comparable market values
Donated Furniture	709,761	-	Youth Development	No donor restrictions	The Organization estimated the fair value of furniture based on comparable market values
Program goods	15,995	106,200	Youth Development	No donor restrictions	The Organization estimated the fair value of shoes and clothing provided based on comparable market values
Donated Food	-	12,150	Youth Development	No donor restrictions	The Organization estimated the fair value boxed food, canned goods, beverages, and meals provided based on comparable market values.
Other donated good	196,690	43,537	Youth Development	No donor restrictions	The Organization estimated the fair value toys and other miscellaneous items based on comparable market values
Total Contributions of Non-Financial Assets	\$ 972,845	\$ 228,462			

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Note 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:

As of June 30,	2023	2022
Restricted by donors with specific purpose restrictions:		
Dinner program	\$ 738,764	\$ 673,711
Scholarship program	47,989	47,989
Perpetual endowment and related accumulated earnings	1,123,310	1,063,781
Capital project	20,154,878	13,723,199
Restricted by donors with time restrictions:		
Pledges receivable for capital project	1,257,896	2,654,576
Net Assets	\$ 23,322,837	\$ 18,163,256

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).

Changes in and releases from restrictions are summarized below:

As of June 30,	2023	2022
Dinner program	\$ 250,000	\$ 100,000
Scholarship program	-	-
Endowment-related earnings	59,528	(97,861)
Restricted for capital project	5,035,000	853,001
Total Additions	5,344,528	855,140
Program restriction accomplished - dinner	(184,947)	(56,868)
Program restriction accomplished - scholarships	-	(184)
Total Releases from Restrictions	\$ (184,947)	\$ (57,052)

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Note 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 as of June 30, 2023:

As of June 30, 2023	Without Donor Restrictions	With Donor Restrictions	Total
Original donor restricted gift in perpetuity	\$ -	\$ 670,000	\$ 670,000
Accumulated earnings on restricted gift	-	453,310	453,310
Total Endowment Net Assets	\$ -	\$ 1,123,310	\$ 1,123,310

Summary of Endowment Net Assets as of June 30, 2022:

As of June 30, 2022	Without Donor Restrictions	With Donor Restrictions	Total
Original donor restricted gift in perpetuity	\$ -	\$ 670,000	\$ 670,000
Accumulated earnings on restricted gift	-	393,781	393,781
Total Endowment Net Assets	\$ -	\$ 1,063,781	\$ 1,063,781

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

Note 17 – Endowment (Cont.)

Changes in Endowment Net Assets during the year ended June 30, 2023:

For the year ended June 30, 2023	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning	\$ -	\$ 1,063,781	\$ 1,063,781
Interest, dividends and realized income, net	-	11,591	11,591
Unrealized gains	-	47,938	47,938
Total Endowment Net Assets	\$ -	\$ 1,123,310	\$ 1,123,310

Changes in Endowment Net Assets during the year ended June 30, 2022:

For the year ended June 30, 2022	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning	\$ -	\$ 1,161,642	\$ 1,161,642
Interest, dividends and realized income, net	-	16,756	16,756
Unrealized gains	-	(114,617)	(114,617)
Total Endowment Net Assets	\$ -	\$ 1,063,781	\$ 1,063,781

Endowment assets are invested as follows:

As of June 30,	2023	2022
Investments	1,123,310	1,063,781
Total	\$ 1,123,310	\$ 1,063,781

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, 2023 and 2022. In accordance with U.S. GAAP, no deficiencies of this nature existed at June 30, 2023 and 2022.

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.

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

Note 17 – Endowment (Cont.)

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.

Note 18 – Commitments and Contingencies

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 by OYC 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 and currently the lease is valid until February 2066. The lease stipulates that Overtown pays the City of Miami an annual rent of one dollar. Overtown is also responsible for the operation and maintenance of the premises.

Short-term Leases

The Organization elected the short-term leases of practical expedients permitted under the transition guidance within the new standard, which allowed the Organization to elect not to record “short-term” leases on the balance sheet. These practical expedients are applied to the class of underlying leased assets which are not owned including real estate, rental equipment and vehicles given their physical nature and similar characteristics of these assets. As per FASB ASC 842, a short-term lease is a lease that, at the commencement date, has a ‘lease term’ of 12 months or less and does not include an option to purchase the underlying asset that the lessee is reasonably certain to exercise. Although short-term leases are in the scope of Topic 842, a simplified form of accounting is permitted. A lessee can elect, by class of underlying asset, not to apply the recognition requirements of Topic 842 and instead to recognize the lease payments as lease cost on a straight-line basis over the lease term. OYC believes that the short-term lease exemption is appropriate for its month-to-month leases because the leases have a short term and they do not have any significant intention to exercise any renewal options. With respect to operating leases, FASB ASC 842 did not have a material impact on the financial statements, since OYC leases office space on a month-to-month basis, this new standard is not applicable. The terms of the lease are \$1,000 per month.

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

Note 18 - Commitments and Contingencies (cont.)

Long-term Leases (finance lease)

The Organization elected the package of practical expedients permitted under the transition guidance within the new standard, which allowed the Organization to carry forward the historical lease classification and not reassess whether any expired or existing contracts contain a lease.

The Organization entered into one finance lease agreement for equipment (copier):

1. The Organization entered into a finance lease on December 1, 2020, to purchase office equipment. The lease term is for 63 months with monthly lease payments of \$ 799. The Company is financing the acquisition of the assets through the lease, and, accordingly, it is recorded in the Company's assets and liabilities. The incremental borrowing rate used for the lease implementation was 6.91% which was the interest rate of the outstanding loan as of July 1, 2022.

The following is an analysis of the leased assets:

For the year ending	2023
Finance Lease Asset (ROU)	\$ 29,585
Less: Accumulated Amortization	8,068
Finance Lease Asset, Net	\$ 21,517

The following is an analysis of the finance lease cost:

Finance Lease Cost:	2023
Amortization of Right-of-Use Assets	\$ 8,068
Interest on Lease Liabilities	1,900
Total Finance Lease Cost	\$ 9,968

The following is a schedule by years of future minimum payments required under the lease:

2024	9,588
2025	9,588
2026	6,392
Total Lease Payments	25,568
Less: Imputed Interest	(2,278)
Present Value of Lease Obligations	\$ 23,290

Construction Contract

During the year ended June 30, 2020, OYC Property Holdings, Inc. (Note 1) entered into a construction contract with an unrelated third party for the construction of the OYC facilities. The estimated remaining commitment under the contract is approximately \$861,806 as of June 30, 2023.

OVERTOWN YOUTH CENTER, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

Note 18 - Commitments and Contingencies (cont.)

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.

Note 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.

Note 20 - Subsequent Events

ASC Topic 855, Subsequent Events, establishes general standards of accounting for and disclosure of events that occur after the consolidated balance sheet date but before consolidated financial statements are issued or are available to be issued.

For the year ended June 30, 2023, OYC has evaluated all subsequent events through December 4, 2023 which is the date the consolidated financial statements were available to be issued, and concluded no additional subsequent events have occurred that would require recognition or disclosure in these consolidated financial statements that have not already been accounted for.

**OVERTOWN YOUTH CENTER, INC. AND AFFILIATES
SUPPLEMENTARY SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2023**

OVERTOWN YOUTH CENTER
COMBINING STATEMENT OF FINANCIAL POSITION
June 30, 2023

	<u>WITHOUT RESTRICTIONS</u>			
	OVERTOWN YOUTH CENTER	OYC PROPERTY HOLDINGS	Eliminations	Total
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 6,263,883	\$ -	\$ -	\$ 6,263,883
Restricted cash - dinner program	738,764	-	-	738,764
Restricted cash - scholarships	30,229	-	-	30,229
Restricted cash - capital project and reserves	714,938	1,517,068	-	2,232,006
Accounts receivable	651,174	-	-	651,174
Other assets	41,819	-	-	41,819
Total Current Assets	8,440,807	1,517,068	-	9,957,875
Non-Current Assets				
Investments	3,618,076	-	-	3,618,076
Pledges receivable, net	1,257,896	-	-	1,257,896
New Market Tax Credit (NMTC) notes receivable	12,532,900	-	-	12,532,900
Property and Equipment, Net	3,178,967	18,525,535	-	21,704,502
Right-to-Use Assets, Net	21,517	-	-	21,517
Total Non-Current Assets	20,609,356	18,525,535	-	39,134,891
TOTAL ASSETS	29,050,163	20,042,603	-	49,092,766
LIABILITIES AND NET ASSETS				
LIABILITIES				
Current Liabilities				
Accounts Payable and Accrued Expenses	328,950	1,083,636	-	1,412,586
Current Portion - Lease Liability	8,236	-	-	8,236
Total Current Liabilities	337,186	1,083,636	-	1,420,822
Non-Current Liabilities				
Loans Payable	500,000	-	-	500,000
NMTC notes payable, net of debt issuance costs	-	17,560,522	-	17,560,522
Non-Current Portion - Lease Liability	15,054	-	-	15,054
Total Non-Current Liabilities	515,054	17,560,522	-	18,075,576
TOTAL LIABILITIES	852,240	18,644,158	-	19,496,398
NET ASSETS				
Without Donor Restrictions	6,192,390	81,141	-	6,273,531
With Donor Restrictions	22,005,533	1,317,304	-	23,322,837
TOTAL NET ASSETS	28,197,923	1,398,445	-	29,596,368
TOTAL LIABILITIES AND NET ASSETS	\$ 29,050,163	\$ 20,042,603	\$ -	\$ 49,092,766

OVERTOWN YOUTH CENTER INC
COMBINING STATEMENT OF ACTIVITIES
June 30, 2023

	WITHOUT RESTRICTIONS		WITH RESTRICTIONS		Eliminations	Total
	OVERTOWN YOUTH CENTER	OYC PROPERTY HOLDINGS	OVERTOWN YOUTH CENTER	OYC PROPERTY HOLDINGS		
REVENUE AND SUPPORT						
Grants	\$ 2,688,042	-	-	-	-	\$ 2,688,042
Contributions	3,315,368	-	4,189,000	1,096,000	-	8,600,368
Special events	-	-	-	-	-	-
In-kind contributions	972,845	-	-	-	-	972,845
Investment (loss) income, net	170,196	-	59,528	-	-	229,724
Other income	125,329	178,000	-	-	(178,000)	125,329
TOTAL REVENUE AND SUPPORT	7,271,780	178,000	4,248,528	1,096,000	(178,000)	12,616,308
Net Assets Released From Restrictions:						
Satisfaction of Purpose or Time Restriction:	184,947	-	(184,947)	-	-	-
TOTAL REVENUE AND SUPPORT AND NET ASSETS RELEASED FROM RESTRICTIONS	7,456,727	178,000	4,063,581	1,096,000	(178,000)	12,616,308
Program Services	6,806,016	24,499	-	-	(178,000)	6,652,515
Mangement and General	700,313	72,360	-	-	-	772,673
Fundraising	306,173	-	-	-	-	306,173
TOTAL EXPENSES	7,812,502	96,859	-	-	(178,000)	7,731,361
CHANGE IN NET ASSETS	(355,775)	81,141	4,063,581	1,096,000	-	4,884,947
NET ASSETS AT BEGINNING OF YEAR	6,549,558	-	17,941,952	221,304	-	24,712,814
Prior Period Adjustment (Lease implementation)	(1,393)	-	-	-	-	(1,393)
NET ASSETS AT BEGINNING OF YEAR (Restated)	6,548,165	-	17,941,952	221,304	-	24,711,421
NET ASSETS AT END OF YEAR	\$ 6,192,390	\$ 81,141	\$ 22,005,533	\$ 1,317,304	\$ -	\$ 29,596,368



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 OYC's consolidated statement of financial position as of June 30, 2023, 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 4, 2023 .

Report on 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) as a basis for designing 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 financial statement. 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.

Thomas S Company CPA PH

Cooper City, Florida

December 4, 2023