

SERAPHIC FIRE, INC.
MIAMI, FLORIDA

FINANCIAL STATEMENTS, INDEPENDENT
AUDITORS' REPORT AND
SUPPLEMENTARY INFORMATION

MAY 31, 2018

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Seraphic Fire, Inc.
Miami, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Seraphic Fire, Inc. (the “Organization”) (a nonprofit organization), which comprise the statement of financial position as of May 31, 2018, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Seraphic Fire, Inc. as of May 31, 2018, 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 10 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

A handwritten signature in blue ink that reads "Veedy-DeArmas Turville". The signature is written in a cursive style.

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
February 5, 2019

SERAPHIC FIRE, INC.
STATEMENT OF FINANCIAL POSITION
MAY 31, 2018

ASSETS

ASSETS

Cash and cash equivalents (\$114,527 temporarily restricted)	\$ 230,611
Grants receivable	100,901
Prepaid expenses	64,493
Investments (Substantially temporarily and permanently restricted)	<u>665,637</u>
TOTAL ASSETS	<u><u>\$ 1,061,642</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 154,784
Deferred revenues	<u>147,682</u>
TOTAL LIABILITIES	302,466

NET ASSETS

Unrestricted	
Operating (deficit)	(10,988)
Board designated	41,000
Temporarily restricted	233,932
Permanently restricted	<u>495,232</u>
TOTAL NET ASSETS	<u>759,176</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,061,642</u></u>
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The accompanying notes are an integral part
of these financial statements.

SERAPHIC FIRE, INC.
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED MAY 31, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Grants	\$ 314,769	\$ -	\$ -	\$ 314,769
Box office revenue	368,426	-	-	368,426
Contributions	621,959	145,314	-	767,273
Contracted services and other income	140,754	-	-	140,754
Investment income	1,000	25,942	(1,000)	25,942
Net assets released from restrictions	121,104	(121,104)	-	-
TOTAL SUPPORT AND REVENUE	<u>1,568,012</u>	<u>50,152</u>	<u>(1,000)</u>	<u>1,617,164</u>
EXPENSES				
Program expenses	1,168,038	-	-	1,168,038
Administrative expenses	386,565	-	-	386,565
TOTAL EXPENSES	<u>1,554,603</u>	<u>-</u>	<u>-</u>	<u>1,554,603</u>
CHANGES IN NET ASSETS	13,409	50,152	(1,000)	62,561
NET ASSETS AT BEGINNING OF YEAR	<u>16,603</u>	<u>183,780</u>	<u>496,232</u>	<u>696,615</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 30,012</u></u>	<u><u>\$ 233,932</u></u>	<u><u>\$ 495,232</u></u>	<u><u>\$ 759,176</u></u>

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

SERAPHIC FIRE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MAY 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets \$ 62,561

Adjustments to reconcile change in net assets
to net cash provided by operating activities:

Realized and unrealized losses 2,408
Increase in grants receivable (2,587)
Increase in prepaid assets (42,645)
Increase in accounts payable and accrued expenses 33,718
Decrease in deferred revenue (20,896)

NET CASH PROVIDED BY OPERATING ACTIVITIES 32,559

CASH FLOWS FROM INVESTING ACTIVITIES:

Net purchases of investments (63,408)

NET USED IN INVESTING ACTIVITIES (63,408)

DECREASE IN CASH AND CASH EQUIVALENTS (30,849)

CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR 261,460

CASH AND CASH EQUIVALENTS - END OF YEAR \$ 230,611

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

SERAPHIC FIRE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2018

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Seraphic Fire, Inc., (the “Organization”) is a not-for-profit Organization incorporated in the State of Florida. Seraphic Fire, Inc. aims to present high-quality performances of under-performed music with cultural significance. In 2007, Seraphic Fire received a grant from the John S. and James L. Knight Foundation to start the Firebird Chamber Orchestra, which launched in the 2008-2009 Season. Simultaneously, Seraphic Fire, Inc. encourages the occupational advancement of musicians by providing a forum for the development and presentation of their talents, and promotes community well-being through musical education programs.

Seraphic Fire, Inc. also began a program called the Miami Choral Academy (“MCA”). This program, in partnership with Miami-Dade County Public Organizations and the South Miami-Dade Cultural Arts Center, is a free music education program serving elementary and middle Organization students in economically disadvantaged communities. The program offers a unique, hands-on approach to music education and choral performance to Miami-Dade County youth. Seraphic Fire artists visit Organizations for dynamic presentations including music theory fundamentals, vocal pedagogy and interactive exercises with the artists.

Basis of Accounting

The Organization prepares its financial statements on the accrual basis of accounting principles generally accepted in the United States of America (“GAAP”).

The Organization prepares its financial statements in accordance with the Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”). The Organization is required to report information regarding its financial position and activities according to three classes of net assets. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets which are free of donor-imposed restrictions; all revenues, expenses, gains, and losses that are not changes in permanently or temporarily restricted net assets. Donor restricted contributions whose restrictions are met in the same reporting period is classified as unrestricted.

Temporarily restricted net assets - Net assets subject to donor-imposed restrictions that either expire by the passage of time or can be fulfilled and removed by the actions of the Organization. As of May 31, 2018 there were \$233,932 in temporarily restricted net assets.

Permanently restricted net assets - Net assets subject to donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by the actions of the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes. As of May 31, 2018 there were \$495,232 in permanently restricted net assets.

SERAPHIC FIRE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2018

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all highly liquid instruments, including money market funds, purchased with an original maturity of three months or less to be cash equivalents.

Concentrations of Credit Risk

Financial instruments that potentially subject the Council to concentration of credit risk consist principally of cash equivalents. At times, cash balances may exceed the levels of insurance provided by the Federal Deposit Insurance Coverage (FDIC).

Deferred Revenue

Deferred revenue consists primarily of advance payments for future program events, which are recognized as revenue generally when the program event takes place.

Grants and Contributions

Contributions, including unconditional promises to give, are recorded when received. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Generally, grants are deemed to be earned and reported as revenue when the Organization has incurred expenditures in compliance with the specific terms of the grant.

Functional Expenses

The costs of providing Organization programs and support have been summarized on a functional basis on the accompanying statement of activities. Accordingly, certain costs have been allocated to the various functions to the extent possible.

Income Taxes

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and therefore, has made no provision for federal income taxes in the accompanying financial statements. In addition, the Organization qualifies for the charitable contribution deduction under Section 170 (b) (1) (A) and has been classified as an organization other than a private foundation under Section 509 (a) (2).

There are no reserves held for uncertain tax positions at May 31, 2018. Tax years that are open under the statute of limitations remain subject to examination by the IRS. The Organization is generally no longer subject to U.S. Federal or State examinations by tax authorities for years before 2015

SERAPHIC FIRE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2018

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Management has evaluated and noted no subsequent events through February 5, 2019, the date which the financial statements were available for issue.

NOTE 2 – ENDOWMENT

In February 2016, the Organization created an endowment fund for philanthropic and charitable purposes. The Endowment is held with the Coral Gables Community Foundation. Endowment net assets at May 31, 2018 consisted of the following:

	May 31, 2018			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Board designated endowment funds	\$ 41,000	\$ 129,405	\$ 495,232	\$ 665,637
	<u>\$ 41,000</u>	<u>\$ 129,405</u>	<u>\$ 495,232</u>	<u>\$ 665,637</u>

Interpretation of Relevant Law

The Board of Trustees of the endowment has interpreted the Florida Uniform Prudent Management of Institutional Funds Act (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, the Fund classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) annual investment income up to the consumer price index, with any excess earnings used to fund the annual scholarship award.

Changes in endowment net assets for the years ended May 31, 2018 were as follows:

	May 31, 2018			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ 40,000	\$ 68,405	\$ 496,232	\$ 604,637
Net investment fees	-	28,350	-	28,350
Net appreciation (realized and unrealized)	-	(2,408)	-	(2,408)
Total investment return	-	25,942	-	25,942
Contributions	-	35,058	-	35,058
Release of restrictions	-	-	-	-
Transfer of funds	1,000	-	(1,000)	-
Endowment net assets, end of year	<u>\$ 41,000</u>	<u>\$ 129,405</u>	<u>\$ 495,232</u>	<u>\$ 665,637</u>

SERAPHIC FIRE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2018

NOTE 2 – ENDOWMENTS (Continued)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor intended. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies as of May 31, 2018.

Strategies Employed for Achieving Objectives

Portfolio diversification will be achieved by investing in several different asset classes - including U.S. and international public equities, and U.S. Government and corporate fixed income securities. Broad diversification is expected to enhance risk-adjusted returns over the long-term. All investments will be held in U.S. dollars. Exchange traded funds, or indexed mutual funds, may be used to obtain adequate equity diversification. The investment portfolio will be further diversified within each asset class.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The parties intend that contributions to the Seraphic Fire Endowment Fund will be irretrievably devoted to providing endowment funding for the benefit of Seraphic Fire. Accordingly, the amount that may be annually disbursed from the Seraphic Fire Endowment Fund has been calculated in an amount that is intended, over time, to preserve the principal of the Fund and will be equal to no more than four percent (4%) of the balance of the Seraphic Fire Endowment Fund calculated at the time of each such disbursement.

NOTE 3 – FAIR VALUE MEASUREMENTS

The Organization's investments are reported at fair value and held at an investment institution. The Organization classified its investments as of May 31, 2018, based upon an established 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 measurement) and the lowest priority to unobservable inputs (level 3 measurement). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization 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 liabilities' 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.

SERAPHIC FIRE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2018

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of May 31, 2018:

Assets	Fair Value	Fair Value Measurements Using:	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Equities	\$ 332,818	\$ 332,818	\$ -
Fixed income	266,255	266,255	-
Alternatives	33,282	-	33,282
Cash equivalents	33,282	33,282	-
	<u>\$ 665,637</u>	<u>\$ 632,355</u>	<u>\$ 33,282</u>

NOTE 4 – TEMPORARILY RESTRICTED ASSETS

Temporarily restricted assets consist of donations with restrictions of time for the following fiscal period. These temporarily restricted assets are held in cash and investments.

NOTE 5 – COMMITMENTS AND CONTINGENCIES

In April 2014, the Organization entered into a three year non-cancelable lease agreement for facilities expiring in March 2017. The agreement was renewed for an additional five year term expiring March 2022. Rent expense for the facilities for the year ended May 31, 2018 was \$36,261. Additionally, the Organization entered into lease agreement for the use of copier machines for office use. The lease agreement has a term of four years and expires in October 2021.

The following represents lease commitments through the lives of the leases:

2019	40,941
2020	42,025
2021	43,135
2022	37,953
Total	<u>\$ 164,054</u>

SUPPLEMENTARY INFORMATION

SERAPHIC FIRE, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MAY 31, 2018

	Miami Choral Academy	Other Program Events	Total Program Expenses	Administrative	Totals
Advertising and Promotion	\$ -	\$ 177,470	\$ 177,470	\$ -	\$ 177,470
Auto Transportation	2,499	-	2,499	3,601	6,100
Equipment rental	-	15,155	15,155	4,318	19,473
Insurance	-	-	-	7,208	7,208
Office supplies	-	-	-	8,039	8,039
Other Expenses	810	14,603	15,413	18,392	33,805
Postage and printing	-	-	-	5,391	5,391
Professional fees	25,175	283,695	308,870	41,224	350,094
Rent	327	42,624	42,951	36,261	79,212
Salaries, taxes and benefits	57,904	272,684	330,588	229,542	560,130
Technology services	-	-	-	210	210
Telephone Total	800	-	800	12,144	12,944
Ticket fees and credit card discounts	-	25,657	25,657	-	25,657
Travel, lodging, meals, and stipends	757	247,878	248,635	20,235	268,870
TOTALS	\$ 88,272	\$ 1,079,766	\$ 1,168,038	\$ 386,565	\$ 1,554,603