

SERAPHIC FIRE, INC.
MIAMI, FLORIDA

**FINANCIAL STATEMENTS, INDEPENDENT
AUDITORS' REPORT AND
SUPPLEMENTARY INFORMATION**

MAY 31, 2017

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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, 2017, 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, 2017, 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.


CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
March 20, 2018

SERAPHIC FIRE, INC.
STATEMENT OF FINANCIAL POSITION
MAY 31, 2017

ASSETS

ASSETS

Cash and cash equivalents (\$115,375 temporarily restricted)	\$ 261,460
Grants receivable	98,314
Prepaid expenses	21,848
Investments	604,637
TOTAL ASSETS	\$ 986,259

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 121,066
Deferred revenues	168,578
TOTAL LIABILITIES	289,644

NET ASSETS

Unrestricted	
Operating (deficit)	(23,397)
Board designated	40,000
Temporarily restricted	183,780
Permanently restricted	496,232
TOTAL NET ASSETS	696,615

TOTAL LIABILITIES AND NET ASSETS	\$ 986,259
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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, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Grants	\$ 425,815	\$ -	\$ -	\$ 425,815
Box office revenue	367,707	-	-	367,707
Contributions	527,067	168,713	496,232	1,192,012
Contracted services and other income	159,584	-	-	159,584
Investment income	-	17,567	-	17,567
Net assets released from restrictions	155,833	(155,833)	-	-
TOTAL SUPPORT AND REVENUE	1,636,006	30,447	496,232	2,162,685
EXPENSES				
Program expenses	1,174,401	-	-	1,174,401
Administrative expenses	385,895	-	-	385,895
TOTAL EXPENSES	1,560,296	-	-	1,560,296
CHANGES IN NET ASSETS	75,710	30,447	496,232	602,389
NET ASSETS (DEFICIT) AT BEGINNING OF YEAR	(59,107)	153,333	-	94,226
NET ASSETS AT END OF YEAR	\$ 16,603	\$ 183,780	\$ 496,232	\$ 696,615

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

SERAPHIC FIRE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MAY 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets \$ 602,389

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

Realized and unrealized gains (20,288)

Increase in grants receivable (52,503)

Decrease in prepaid assets 19,196

Increase in accounts payable and accrued expenses 39,820

Increase in deferred revenue 35,297

TOTAL ADJUSTMENTS 21,522

NET CASH PROVIDED BY OPERATING ACTIVITIES 623,911

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of investments (574,349)

NET USED IN INVESTING ACTIVITIES (574,349)

INCREASE IN CASH AND CASH EQUIVALENTS 49,562

CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR 211,898

CASH AND CASH EQUIVALENTS - END OF YEAR \$ 261,460

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

SERAPHIC FIRE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2017

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 Schools and the South Miami-Dade Cultural Arts Center, is a free music education program serving elementary and middle school 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 schools 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, 2017 there were \$183,780 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, 2017 there were \$496,232 in permanently restricted net assets.

SERAPHIC FIRE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2017

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, 2017. 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 2014

SERAPHIC FIRE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2017

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

Subsequent Events

Management has evaluated and noted no subsequent events through March 20, 2018, 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, 2017 consisted of the following:

	May 31, 2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Board designated endowment funds	\$ 40,000	\$ 68,405	\$ 496,232	\$ 604,637
	<u>\$ 40,000</u>	<u>\$ 68,405</u>	<u>\$ 496,232</u>	<u>\$ 604,637</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, 2017 were as follows:

	May 31, 2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ 10,000	\$ -	\$ -	\$ 10,000
Net investment fees	-	(2,721)	-	(2,721)
Net appreciation (realized and unrealized)	-	20,288	-	20,288
Total investment return	-	17,567	-	17,567
Contributions	30,000	50,838	496,232	577,070
Distributions	-	-	-	-
Endowment net assets, end of year	<u>\$ 40,000</u>	<u>\$ 68,405</u>	<u>\$ 496,232</u>	<u>\$ 604,637</u>

SERAPHIC FIRE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2017

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, 2017.

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 – 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 4 – 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, 2017 was \$34,647.

The following represents lease commitments through the life of the lease:

2018	\$	34,974
2019		36,024
2020		37,108
2021		38,218
2022		32,640
Total	\$	<u>178,964</u>

SUPPLEMENTARY INFORMATION

**SERAPHIC FIRE, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MAY 31, 2017**

	Miami Choral Academy	Other Program Events	Total Program Expenses	Administrative	Totals
Advertising and Promotion	\$ -	\$ 161,584	\$ 161,584	\$ 5,096	\$ 166,680
Auto Transportation	2,714	-	2,714	3,168	5,882
Equipment rental	-	5,877	5,877	2,954	8,831
Insurance	-	-	-	7,125	7,125
Office supplies	960	-	960	6,134	7,094
Other Expenses	3,251	13,715	16,966	26,422	43,388
Postage and printing	-	-	-	4,543	4,543
Professional fees	21,650	342,257	363,907	84,978	448,885
Rent	-	39,761	39,761	34,647	74,408
Salaries, taxes and benefits	51,306	284,355	335,661	183,733	519,394
Technology services	-	-	-	50	50
Telephone Total	-	-	-	11,640	11,640
Ticket fees and credit card discounts	-	22,019	22,019	-	22,019
Travel, lodging, meals, and stipends	1,288	223,664	224,952	15,405	240,357
TOTALS	\$ 81,169	\$ 1,093,232	\$ 1,174,401	\$ 385,895	\$ 1,560,296