

**BIG BROTHERS BIG SISTERS  
OF MIAMI, INC.**

FINANCIAL STATEMENTS, INDEPENDENT  
AUDITORS' REPORT AND  
SUPPLEMENTARY INFORMATION

FOR THE YEARS ENDED  
JUNE 30, 2016 AND 2015

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Big Brothers Big Sisters of Miami, Inc.  
Miami, Florida

### **Report on the Financial Statements**

We have audited the accompanying statements of financial position of Big Brothers Big Sisters of Miami, Inc. (the "Organization"), a non-profit organization, as of June 30, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years 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 controls 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 controls relevant to the entity'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 entity's internal controls. 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 the Organization as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2016, on our consideration of the Organization's internal controls over financial reporting and 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 controls over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida  
October 21, 2016

**BIG BROTHERS BIG SISTERS OF MIAMI, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2016 AND 2015**

<b>ASSETS</b>		
	2016	2015
<b>CURRENT ASSETS</b>		
Cash and equivalents	\$ 312,696	\$ 632,183
Accounts receivable	275,508	465,137
Prepaid expenses	147,406	98,932
Investments, temporarily restricted of \$603,733 and \$602,676, respectively	1,632,059	1,631,841
Deposits and other assets	18,696	14,305
<b>TOTAL CURRENT ASSETS</b>	<b>2,386,365</b>	<b>2,842,398</b>
<b>PROPERTY AND EQUIPMENT</b>		
Property and equipment, net of accumulated depreciation of \$196,440 and \$196,440, respectively	38,351	-
<b>TOTAL ASSETS</b>	<b>\$ 2,424,716</b>	<b>\$ 2,842,398</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and other accrued expenses	\$ 282,486	\$ 442,171
Deferred revenues	26,500	35,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>308,986</b>	<b>477,171</b>
<b>TOTAL LIABILITIES</b>	<b>308,986</b>	<b>477,171</b>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>NET ASSETS</b>		
Unrestricted	\$ 1,511,997	\$ 1,762,551
<b>TOTAL UNRESTRICTED</b>	<b>1,511,997</b>	<b>1,762,551</b>
Temporarily restricted		
George De Silver Memorial Camp fund	84,515	84,515
Carnival Cruise Line and other scholarship fund	230,822	275,296
Five Millers Scholarship fund	288,396	242,865
<b>TOTAL TEMPORARILY RESTRICTED</b>	<b>603,733</b>	<b>602,676</b>
<b>TOTAL NET ASSETS</b>	<b>2,115,730</b>	<b>2,365,227</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,424,716</b>	<b>\$ 2,842,398</b>

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

**BIG BROTHERS BIG SISTERS OF MIAMI, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
<b>PUBLIC SUPPORT:</b>			
United Way	\$ 348,249	\$ -	\$ 348,249
Federal, state and local grants	734,269	-	734,269
Foundation grants	216,678	161,100	377,778
Associated organizations	798,351	-	798,351
Annual/major giving	104,495	21,450	125,945
Special events, net of direct costs of \$481,115	785,934	-	785,934
Cause related marketing, net of direct costs of \$189,802	158,535	-	158,535
In-kind contributions	160,584	-	160,584
<b>TOTAL PUBLIC SUPPORT</b>	<u>3,307,095</u>	<u>182,550</u>	<u>3,489,645</u>
Net assets released from restrictions	181,493	(181,493)	-
INVESTMENT INCOME, net of fees	218	-	218
OTHER REVENUE	84,075	-	84,075
<b>TOTAL PUBLIC SUPPORT AND REVENUE</b>	<u>3,572,881</u>	<u>1,057</u>	<u>3,573,938</u>
<b>EXPENSES</b>			
Program services	3,089,720	-	3,089,720
Supporting services	477,587	-	477,587
Fundraising	256,128	-	256,128
<b>TOTAL EXPENSES</b>	<u>3,823,435</u>	<u>-</u>	<u>3,823,435</u>
<b>CHANGE IN NET ASSETS</b>	(250,554)	1,057	(249,497)
Net assets, beginning of year	1,762,551	602,676	2,365,227
Net assets, end of year	<u>\$ 1,511,997</u>	<u>\$ 603,733</u>	<u>\$ 2,115,730</u>

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

**BIG BROTHERS BIG SISTERS OF MIAMI, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
<b>PUBLIC SUPPORT:</b>			
United Way	\$ 370,685	\$ -	\$ 370,685
Federal, state and local grants	1,997,645	-	1,997,645
Foundation grants	225,405	254,698	480,103
Associated organizations	480,000	-	480,000
Annual/major giving, net of direct costs of \$11,567	122,596	-	122,596
Special events, net of direct costs of \$505,194	940,595	-	940,595
Cause related marketing, net of direct costs of \$212,828	121,983	-	121,983
In-kind contributions	304,297	-	304,297
<b>TOTAL PUBLIC SUPPORT</b>	<u>4,563,206</u>	<u>254,698</u>	<u>4,817,904</u>
Net assets released from restrictions	156,517	(156,517)	-
INVESTMENT INCOME, net of fees	7,685	-	7,685
OTHER REVENUE	93,877	-	93,877
<b>TOTAL PUBLIC SUPPORT AND REVENUE</b>	<u>4,821,285</u>	<u>98,181</u>	<u>4,919,466</u>
<b>EXPENSES</b>			
Program services	3,874,252	-	3,874,252
Supporting services	212,234	-	212,234
Fundraising	425,663	-	425,663
<b>TOTAL EXPENSES</b>	<u>4,512,149</u>	<u>-</u>	<u>4,512,149</u>
<b>CHANGE IN NET ASSETS</b>	309,136	98,181	407,317
Net assets, beginning of year	1,453,415	504,495	1,957,910
Net assets, end of year	<u>\$ 1,762,551</u>	<u>\$ 602,676</u>	<u>\$ 2,365,227</u>

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

**BIG BROTHERS BIG SISTERS OF MIAMI, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	2016				2015			
	Program Services	Supporting Services	Fundraising	Total Expenses	Program Services	Supporting Services	Fundraising	Total Expenses
Employee Costs:								
Salaries	\$ 1,766,166	\$ 331,156	\$ 110,385	\$ 2,207,707	\$ 2,074,262	\$ 122,015	\$ 244,031	\$ 2,440,308
Payroll taxes	134,897	25,293	8,431	168,621	147,129	8,655	17,309	173,093
Employee benefits	232,488	24,846	26,409	283,743	222,814	26,213	13,107	262,134
<b>Total Employee Costs</b>	<b>2,133,551</b>	<b>381,295</b>	<b>145,225</b>	<b>2,660,071</b>	<b>2,444,205</b>	<b>156,883</b>	<b>274,447</b>	<b>2,875,535</b>
Operating and other:								
Conferences and meetings	9,532	475	951	10,958	15,015	495	393	15,903
Computer expense	6,794	400	799	7,993	21,794	1,282	2,564	25,640
Dues to national and local Organizations	55,404	-	-	55,404	57,524	-	-	57,524
Equipment rental and maintenance	16,358	613	1,226	18,197	17,969	1,057	2,114	21,140
Insurance	79,158	4,656	9,313	93,127	79,727	4,690	9,380	93,797
Marketing/Recruitment	9,304	-	970	10,274	12,571	-	12,571	25,142
Other	-	1,781	1,218	2,999	37,438	4,267	886	42,591
Occupancy	167,477	9,852	19,703	197,032	183,508	10,795	21,589	215,892
Office expenses and supplies	8,524	12,336	2,105	22,965	21,256	1,250	2,501	25,007
Postage	-	-	-	-	3,201	188	377	3,766
Printing and publication	16,434	967	1,933	19,334	12,317	725	15,768	28,810
In-kind contributions	160,584	-	-	160,584	289,083	15,215	-	304,298
Professional services	170,734	51,688	70,729	293,151	159,630	12,650	77,599	249,879
Telephone	16,623	978	1,956	19,557	26,117	1,536	3,073	30,726
Transportation	37,473	-	-	37,473	57,085	-	-	57,085
Incentives/recognition	735	-	-	735	5,095	-	-	5,095
Volunteer processing expense	28,740	-	-	28,740	40,297	-	-	40,297
Partners Subcontractors	55,882	-	-	55,882	257,505	-	-	257,505
Project Reach (other costs)	24,817	-	-	24,817	13,205	-	-	13,205
Scholarships awarded	91,596	-	-	91,596	99,300	-	-	99,300
Board Retreat	-	12,546	-	12,546	20,410	1,201	2,401	24,012
<b>Total operating and other</b>	<b>\$ 956,169</b>	<b>\$ 96,292</b>	<b>\$ 110,903</b>	<b>\$ 1,163,364</b>	<b>\$ 1,430,047</b>	<b>\$ 55,351</b>	<b>\$ 151,216</b>	<b>\$ 1,636,614</b>
<b>TOTAL EXPENSES</b>	<b>\$ 3,089,720</b>	<b>\$ 477,587</b>	<b>\$ 256,128</b>	<b>\$ 3,823,435</b>	<b>\$ 3,874,252</b>	<b>\$ 212,234</b>	<b>\$ 425,663</b>	<b>\$ 4,512,149</b>

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



**BIG BROTHERS BIG SISTERS OF MIAMI, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (249,497)	\$ 407,317
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Unrealized/realized loss on investments	79,336	53,165
(Increase) Decrease in operating assets:		
Accounts receivable	189,629	88,815
Prepaid expenses	(48,474)	(22,751)
Deposits and other assets	(4,391)	943
Increase (Decrease) in operating liabilities:		
Accounts payable and other accrued expenses	(159,685)	(70,891)
Due to BBBSMF	-	(313,425)
Deferred revenues	(8,500)	(53,725)
<b>TOTAL ADJUSTMENTS</b>	<u>47,915</u>	<u>(317,869)</u>
<b>NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES</b>	<u>(201,582)</u>	<u>89,448</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of fixed assets	(38,351)	-
Proceeds of investments	-	371,738
Redemption of investments	(79,554)	-
<b>NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES</b>	<u>(117,905)</u>	<u>371,738</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(319,487)	461,186
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>632,183</u>	<u>170,997</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 312,696</u>	<u>\$ 632,183</u>

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

**BIG BROTHERS BIG SISTERS OF MIAMI, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

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**NOTE 1 – ORGANIZATION**

Big Brothers Big Sisters of Miami, Inc. (the “Organization”) is a not-for-profit organization and is a member of the national federation, Big Brothers Big Sisters of America. It serves the community by “matching” eligible youngsters with qualified volunteers who perform the role of a big brother or big sister. Based on one-to-one mentoring, the Organization has diversified its mentoring programs to meet emerging needs and volunteer preferences. These programs include: Big Fitness, School-to-Work, Hispanic Mentoring, Bigs in School, Bigs in Blue, and Sports Buddies. The Organization also provides group mentoring services for unmatched children.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**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

Unrestricted net assets are free of donor-imposed restrictions and include all revenues, gains, expenses and losses that are not changes in permanently or temporarily restricted net assets. This category includes realized and unrealized gains on endowment and other long-term investments. As of June 30, 2016 and 2015, unrestricted assets totaled \$1,511,997 and \$1,762,551 respectively.

Temporarily Restricted

Temporarily restricted net assets are those net assets whose use by the Organization is limited by donor-imposed stipulations that either expires by the passage of time or that can be fulfilled or otherwise removed by actions of the Organization pursuant to those stipulations. As of June 30, 2016 and 2015, temporarily restricted assets totaled \$603,733 and \$602,676 respectively.

Permanently Restricted Fund

Permanently restricted net assets are those net assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Organization. As of June 30, 2016 and 2015 the Organization had no permanently restricted net assets.

Temporarily restricted and board designated funds consisted of the following:

George De Silver Memorial Camp Fund – The camp funds are restricted by donors to provide eligible youths with scholarships to camp.

Five Millers Scholarship and Carnival Cruise Line and Other Scholarship Fund – These funds represent resources restricted by the Five Millers Foundation, Carnival Cruise Line and other donors for the specific purpose of granting college scholarships to eligible youths (graduating “Littles”) in the Big Brothers Big Sisters program.

**BIG BROTHERS BIG SISTERS OF MIAMI, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Investments**

Investments in marketable securities with readily determinable fair values are valued at their fair values in the Statements of Financial Position. Unrealized gains and losses are included in net investment income in the Statements of Activities. In accordance with the Organization's investment policy, money market funds held in the investment portfolio are considered investments in conjunction with the policy's long term goals.

**Contributions**

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

**Donated Goods and Services (In-Kind)**

Donated services are recognized if the services received either create or enhance nonfinancial assets or require specialized skills and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated goods and services are recognized at their fair value. Contributed materials and service revenues, valued at \$160,584 and \$304,297, and related expense of 160,584 and \$304,297 are reflected in the accompanying statements of activities for the years ended June 30, 2016 and 2015, respectively.

Additionally, a substantial number of volunteers have donated significant amounts of time to the Organization's program services and fund raising campaigns during the year; however, these donated services are not reflected in the financial statements since the value of services are not readily determinable and the services do not require specialized skills. Materials and other assets received as donations are recorded and reflected in the accompanying financial statements at their fair values at the date of receipt.

**Equipment**

Donated property is recorded at donor indicated fair market value, at the date of the gift, as unrestricted net assets unless its use is restricted by the donor. Proceeds from the sale of these assets are accounted for as unrestricted unless it is restricted by the donor. Maintenance and repairs, which do not extend the lives of the respective assets, are expensed in the year incurred.

Acquisitions of fixed assets, which cost at least \$1,000, and with a useful life of at least one year are capitalized. Depreciation is provided on the straight-line method over the estimated useful lives of the assets, which generally range from 3 to 7 years for vehicles, furniture and equipment. Leasehold improvements are amortized over the term of the lease.

**BIG BROTHERS BIG SISTERS OF MIAMI, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Expense Allocation**

The costs of providing programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Costs are assigned to program services, support services, or fundraising based on specific identification. Costs benefiting all types of services are primarily allocated based on the estimated utilization by the respective function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Use of Estimates**

The preparation of the Organization's 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Concentration of Credit Risk**

Financial instruments which potentially subject the Organization to concentrations of credit risk consist of cash, cash equivalents and investment securities.

The Organization places its cash and cash equivalents with creditworthy, high-quality financial institutions. At times cash balances may temporarily exceed the Federal Deposit Insurance Coverage Insurance limit of \$250,000. The Organization has not experienced any losses in such accounts. In order to mitigate the risk of such losses, the Organization has a policy in place where cash balances at banking institutions are kept at a minimal balance enough to cover operational cash outflows, additional funds are transferred to the investment money market accounts. The few instances in which the cash balances have exceeded FDIC insurance limits are due to large amounts of cash being deposited in the account and/or outstanding checks pending to clear the bank. However, the duration of these occurrences are no longer than a couple of business days.

The Organization has significant investments in government securities and mutual funds and is therefore subject to concentrations of market risk. Investments are made by investment managers engaged by the Organization and the investments are monitored for the Organization by the board treasurer and by the Finance Committee. Although the market value of investments is subject to fluctuations on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of the Organization and its beneficiaries.

The Organization's executive committee actively monitors the activity of the financial instruments and establishes policies for the safeguarding of their assets against credit and market risks.

**Cash and Cash Equivalents**

For purposes of the Statements of Cash Flows, the Organization considers all short term investments with original maturities of three months or less to be cash equivalents.

**Public Support and Revenue**

The Organization's principal source of revenue is derived from state, local and United Way grants, contributions from the community, and other fundraising activities. Based on the Organization's experience with the grantors, management has determined that the related grants and program fees receivable are fully collectible. Consequently, no allowance for doubtful accounts is included in the accompanying financial statements.

**BIG BROTHERS BIG SISTERS OF MIAMI, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Major Contributors**

For the years ended June 30, 2016 and 2015, the Organization received the following percentage of revenue from major contributors:

<b>Major Contributions</b>	<b>2016</b>	<b>2015</b>
Big Brothers Big Sisters of Miami Foundation	13%	6%
Carnival Cruise Line	2%	1%
Federal, state and local grants	21%	41%
Macy's Inc.	7%	5%
United Way	10%	8%
Women's Committee	5%	4%

**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 June 30, 2016 and 2015, respectively. 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 2013.

**Subsequent Events**

The Organization has evaluated subsequent events through October 21, 2016, which is the date the financial statements were available to be issued.

NOTE 3 – INVESTMENTS

Investments consisted of the following at June 30:

	2016 Market Value	2015 Market Value
General & other investment funds		
Money market	\$ 141,577	\$ 123,611
Equities	319,438	317,565
Fixed income	1,171,044	1,190,665
<b>TOTAL INVESTMENTS</b>	<b>\$ 1,632,059</b>	<b>\$ 1,631,841</b>

Investment income consists of interest, dividends and net realized and unrealized (loss) gains on investments as follows:

	2016	2015
Interest and dividends, net of fees	\$ 79,554	\$ 60,850
Unrealized (loss) gains	(79,336)	(53,165)
	<b>\$ 218</b>	<b>\$ 7,685</b>

**BIG BROTHERS BIG SISTERS OF MIAMI, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

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**NOTE 4 – FAIR VALUE MEASUREMENTS**

FASB ASC; “Fair Value Measurement” establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under 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 Agency 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, 2016 and 2015.

The money market portfolio is valued at cost, which approximates fair value.

The Equity Portfolio consists of investments in securities and mutual funds managed primarily through investments held by independent investment advisors with discretionary investment authority. Equity securities consist primarily of common stocks. Equity securities are valued at the closing price reported in the active market in which the individual securities are traded.

The Fixed income portfolio consists of investments that provide returns in the form of fixed periodic payments and the eventual return of principal at maturity.

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 the Organization 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.

**BIG BROTHERS BIG SISTERS OF MIAMI, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

NOTE 4 – FAIR VALUE MEASUREMENTS (Continued)

The following tables represents the Organization’s financial instruments measured at fair value on a recurring basis at June 30, 2016 and 2015, respectively, for each of the fair value hierarchy levels:

Description	Fair Value Measurement at June 30, 2016			
	Fair Market Value at 6/30/2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets:				
Money market	\$ 141,577	\$ 141,577	\$ -	\$ -
Equities	319,438	319,438	-	-
Fixed income	1,171,044	1,171,044	-	-
	<u>\$ 1,632,059</u>	<u>\$ 1,632,059</u>	<u>\$ -</u>	<u>\$ -</u>

Description	Fair Value Measurement at June 30, 2015			
	Fair Market Value at 6/30/2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets:				
Money market	\$ 123,611	\$ 123,611	\$ -	\$ -
Equities	317,565	317,565	-	-
Fixed income	1,190,665	1,190,665	-	-
	<u>\$ 1,631,841</u>	<u>\$ 1,631,841</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2016	2015
Furniture and equipment	\$ 161,952	\$ 123,601
Vehicles	51,870	51,870
Leasehold improvements	20,969	20,969
	234,791	196,440
Less: accumulated depreciation	(196,440)	(196,440)
	<u>\$ 38,351</u>	<u>\$ -</u>

**BIG BROTHERS BIG SISTERS OF MIAMI, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

**NOTE 6 – TEMPORARILY RESTRICTED AND BOARD DESIGNATED NET ASSETS**

Temporarily restricted and board designated net assets consisted of the following at June 30:

	<u>2016</u>	<u>2015</u>
Temporarily Restricted Net Assets:		
George De Silver Memorial Camp fund	\$ 84,515	\$ 84,515
Carnival Cruise Line and other scholarship fund	230,822	275,296
Five Miller Foundation Scholarship fund	<u>288,396</u>	<u>242,865</u>
	<u>\$ 603,733</u>	<u>\$ 602,676</u>
These funds are held in:		
Investments in marketable securities	<u>\$ 603,733</u>	<u>\$ 602,676</u>

**NOTE 7 – NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes and the expiration of the time restriction. The following table shows net assets released from restrictions for the years ended June 30, 2016 and 2015, respectively:

	<u>2016</u>	<u>2015</u>
Purpose restrictions accomplished:		
Five Millers Scholarship fund	\$ 112,043	\$ 93,637
Other	3,775	-
Other scholarships	<u>65,675</u>	<u>62,880</u>
Total net assets released from restrictions	<u>\$ 181,493</u>	<u>\$ 156,517</u>

**NOTE 8 – IN-KIND CONTRIBUTIONS**

Revenues recorded relating to in-kind contributions consisted of the following at June 30:

	<u>2016</u>	<u>2015</u>
Art	\$ -	\$ 54,450
Cruises	4,000	10,000
Food	-	6,474
Gift certificates	-	13,103
Hotel/trips	65,490	19,694
Household items	-	11,194
Jewelry	-	420
Marketing	62,959	150,198
Other	19,103	16,150
Printing, media and art design	-	8,450
Sports memorabilia	-	1,800
Tickets to special events	<u>9,032</u>	<u>12,365</u>
	<u>\$ 160,584</u>	<u>\$ 304,298</u>



**BIG BROTHERS BIG SISTERS OF MIAMI, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

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NOTE 9 – COMMITMENTS AND CONTINGENCIES

**Operating Leases**

The Organization has entered into various operating leases for rent and office equipment. Rental expenses for these leases for the years ended June 30, 2016 and 2015 was \$214,781 and \$236,369, respectively. Subsequent to year end, the Organization entered into a rent agreement for the use of facilities starting October 1, 2016. The organization has the right to renegotiate the agreement after September 30, 2022. Total future minimum rental payments under the operating leases as of June 30, 2016 are as follows:

Year Ending June 30,	
2017	\$ 450,675
2018	455,525
2019	468,090
2020	437,038
2021	425,829
Thereafter	558,006
Total	<u>\$ 2,795,163</u>

**Managed Service Agreement**

Subsequent to year end, the Organization entered into a managed service agreement for IT service and management for a term of three years with a monthly cost of \$3,900. Total future minimum payments under the managed service agreement as of June 30, 2016 are as follows:

Year Ending June 30,	
2017	\$ 46,800
2018	46,800
2019	46,800
Total	<u>\$ 140,400</u>

**Retirement Plan**

The Organization has a defined contribution plan covering its full time employees. As of June 30, 2016, employer contributions were suspended and no amounts were contributed during the year ended June 30, 2016 and 2015. As of June 30, 2016, employer contributions were suspended and no amounts were contributed during the year ended June 30, 2016 and 2015.

**Line of Credit**

The Organization has an unsecured line of credit totaling \$100,000 available for working capital purposes that bears interest at prime, which was 3.25% at June 30, 2016. There was no balance outstanding as of June 30, 2016 and 2015.

**BIG BROTHERS BIG SISTERS OF MIAMI, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

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**NOTE 10 – RELATED PARTIES**

The Women’s Committee, Inc., (the “Committee”) is a related party to the Organization. The Committee’s mission is to support Big Brothers Big Sisters of Miami in assisting thousands of children each year through professional supported, one-on-one relationships with caring adult volunteers. During the years ended June 30, 2016 and 2015, the Organization received \$210,000 and \$180,000, respectively in contributions from The Women’s Committee, Inc. which has been included in the Statements of Activities.

Big Brothers Big Sisters of Miami Foundation, Inc. (the “Foundation”) is a related party to the Organization. During the years ended June 30, 2016 and 2015, the Organization received \$550,000 and \$300,000, respectively in contributions from the Foundation which has been included in the Statements of Activities.

Big Brothers Big Sisters of Miami Institute, Inc. (the “Institute”) is a related party to the Organization. During the years ended June 30, 2016 and 2015, the Organization received \$38,351 and \$0, respectively in contributions from the Institute which has been included in the Statements of Activities.

**SUPPLEMENTARY INFORMATION**



INDEPENDENT AUDITORS' 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*

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Board of Directors  
Big Brothers Big Sisters of Miami, Inc.  
Miami, Florida

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 financial statements of Big Brothers Big Sisters of Miami, Inc. (the "Organization"), a nonprofit organization, which comprise the statement of financial position as of and for the years ended June 30, 2016 and 2015, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated October 21, 2016.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida  
October 21, 2016