

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

FINANCIAL STATEMENTS, INDEPENDENT  
AUDITORS' REPORT AND  
SUPPLEMENTARY INFORMATION

FOR THE YEARS ENDED  
JUNE 30, 2018 AND 2017

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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 financial statements of Big Brothers Big Sisters of Miami, Inc. (the "Organization") (a non-profit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, 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 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 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, 2018 and 2017, 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 31, 2018, 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.

A handwritten signature in cursive script that reads "Verdepin DeArmas Trujillo".

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida  
October 31, 2018

**BIG BROTHERS BIG SISTERS OF MIAMI, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2018 AND 2017**

<b>ASSETS</b>		
	2018	2017
<b>CURRENT ASSETS</b>		
Cash and equivalents	\$ 715,440	\$ 141,403
Accounts receivable	290,837	353,554
Due from related party, temporarily restricted of \$145,404	557,425	-
Contributions receivable, net	157,500	209,500
Prepaid expenses	144,072	163,348
Investments, temporarily restricted of \$795,510 and \$959,933, respectively	1,143,018	1,418,561
Deposits and other assets	5,000	5,000
<b>TOTAL CURRENT ASSETS</b>	<b>3,013,292</b>	<b>2,291,366</b>
<b>CONTRIBUTIONS RECEIVABLE, long-term, net</b>	260,483	397,407
<b>PROPERTY AND EQUIPMENT</b>		
Property and equipment, net of accumulated depreciation of \$184,750 and \$162,363, respectively	69,138	67,422
<b>TOTAL ASSETS</b>	<b>\$ 3,342,913</b>	<b>\$ 2,756,195</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and other accrued expenses	\$ 874,107	\$ 335,025
Deferred revenues	37,500	10,200
<b>TOTAL CURRENT LIABILITIES</b>	<b>911,607</b>	<b>345,225</b>
<b>TOTAL LIABILITIES</b>	<b>911,607</b>	<b>345,225</b>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>NET ASSETS</b>		
Unrestricted	\$ 1,490,392	\$ 1,451,037
<b>TOTAL UNRESTRICTED</b>	<b>1,490,392</b>	<b>1,451,037</b>
Temporarily restricted		
George De Silver Memorial Camp fund	65,611	84,515
Carnival Cruise Line and other scholarship fund	304,496	344,596
LBSF	143,173	-
Five Millers Scholarship fund	425,403	530,822
Children Holiday Party	2,231	-
<b>TOTAL TEMPORARILY RESTRICTED</b>	<b>940,914</b>	<b>959,933</b>
<b>TOTAL NET ASSETS</b>	<b>2,431,306</b>	<b>2,410,970</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 3,342,913</b>	<b>\$ 2,756,195</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, 2018**

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b>			
<b>PUBLIC SUPPORT:</b>			
United Way	\$ 303,124	\$ -	\$ 303,124
Federal, state and local grants	1,049,186	-	1,049,186
Foundation grants	315,089	750	315,839
Associated organizations	1,967,056	124,693	2,091,749
Annual/major giving	239,007	-	239,007
Rental income	116,184	-	116,184
Special events, net of direct costs of \$535,866	1,045,741	-	1,045,741
Cause related marketing, net of direct costs of \$4,500	5,186	-	5,186
In-kind contributions	181,290	-	181,290
<b>TOTAL PUBLIC SUPPORT</b>	<b>5,221,863</b>	<b>125,443</b>	<b>5,347,306</b>
Net assets released from restrictions	165,173	(165,173)	-
INVESTMENT INCOME, net of fees	3,754	20,711	24,465
OTHER REVENUE	30,303	-	30,303
<b>TOTAL PUBLIC SUPPORT AND REVENUE</b>	<b>5,421,093</b>	<b>(19,019)</b>	<b>5,402,074</b>
<b>EXPENSES</b>			
Program services	4,565,511	-	4,565,511
Supporting services	259,622	-	259,622
Fundraising	556,605	-	556,605
<b>TOTAL EXPENSES</b>	<b>5,381,738</b>	<b>-</b>	<b>5,381,738</b>
<b>CHANGE IN NET ASSETS</b>	<b>39,355</b>	<b>(19,019)</b>	<b>20,336</b>
Net assets, beginning of year	1,451,037	959,933	2,410,970
Net assets, end of year	<u>\$ 1,490,392</u>	<u>\$ 940,914</u>	<u>\$ 2,431,306</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, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
<b>PUBLIC SUPPORT:</b>			
United Way	\$ 303,124	\$ -	\$ 303,124
Federal, state and local grants	918,023	-	918,023
Foundation grants	336,837	13,625	350,462
Associated organizations	1,438,600	-	1,438,600
Annual/major giving	279,460	500,000	779,460
Rental income	20,133	-	20,133
Special events, net of direct costs of \$496,989	1,066,152	-	1,066,152
Cause related marketing, net of direct costs of \$92,506	80,188	-	80,188
In-kind contributions	178,276	-	178,276
<b>TOTAL PUBLIC SUPPORT</b>	<u>4,620,793</u>	<u>513,625</u>	<u>5,134,418</u>
Net assets released from restrictions	157,425	(157,425)	-
INVESTMENT INCOME, net of fees	62,266	-	62,266
OTHER REVENUE	11,311	-	11,311
<b>TOTAL PUBLIC SUPPORT AND REVENUE</b>	<u>4,851,795</u>	<u>356,200</u>	<u>5,207,995</u>
<b>EXPENSES</b>			
Program services	4,169,046	-	4,169,046
Supporting services	427,104	-	427,104
Fundraising	316,605	-	316,605
<b>TOTAL EXPENSES</b>	<u>4,912,755</u>	<u>-</u>	<u>4,912,755</u>
<b>CHANGE IN NET ASSETS</b>	(60,960)	356,200	295,240
Net assets, beginning of year	1,511,997	603,733	2,115,730
Net assets, end of year	<u>\$ 1,451,037</u>	<u>\$ 959,933</u>	<u>\$ 2,410,970</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, 2018 AND 2017**

	2018				2017			
	Program Services	Supporting Services	Fundraising	Total Expenses	Program Services	Supporting Services	Fundraising	Total Expenses
Employee Costs:								
Salaries	\$ 2,415,556	\$ 142,092	\$ 284,183	\$ 2,841,831	\$ 2,150,632	\$ 253,016	\$ 126,508	\$ 2,530,156
Payroll taxes	171,676	10,099	20,197	201,972	152,143	17,899	8,950	178,992
Employee benefits	270,950	15,185	30,369	316,504	272,809	32,095	16,048	320,952
Total Employee Costs	2,858,182	167,376	334,749	3,360,307	2,575,584	303,010	151,506	3,030,100
Operating and other:								
Bad debt	-	-	25,793	25,793	-	-	13,395	13,395
Conferences and meetings	29,939	1,761	3,522	35,222	20,750	2,441	1,221	24,412
Computer expense	-	-	-	-	89,862	2,623	1,312	93,797
Depreciation	22,388	-	-	22,388	17,793	-	-	17,793
Discount expense	-	-	5,822	5,822	-	-	-	-
Dues to national and local Organizations	45,619	-	-	45,619	58,705	-	-	58,705
Equipment rental and maintenance	71,513	413	825	72,751	38,434	4,522	2,261	45,217
Insurance	114,616	3,658	3,658	121,932	76,811	9,037	4,518	90,366
Marketing/Recruitment	14,049	-	74,902	88,951	-	-	14,222	14,222
Other	7,438	10,164	57,654	75,256	4,753	14,714	53,292	72,759
Occupancy	695,692	21,869	21,869	739,430	553,125	23,333	11,667	588,125
Office expenses and supplies	36,394	627	627	37,648	42,338	4,981	2,490	49,809
Postage	4,339	255	510	5,104	3,140	369	185	3,694
Printing and publication	59,637	3,508	7,016	70,161	17,314	2,037	1,018	20,369
In-kind contributions	181,290	-	-	181,290	178,276	-	-	178,276
Professional services	99,490	17,666	13,062	130,218	113,854	23,959	55,913	193,726
Telephone	56,068	3,298	6,596	65,962	61,286	7,210	3,605	72,101
Transportation	44,444	-	-	44,444	45,683	-	-	45,683
Incentives/recognition	9,622	-	-	9,622	4,277	-	-	4,277
Volunteer processing expense	29,241	-	-	29,241	23,646	-	-	23,646
Partners Subcontractors	36,292	-	-	36,292	136,969	-	-	136,969
Project Reach (other costs)	32,489	-	-	32,489	23,521	-	-	23,521
Scholarships awarded	116,769	-	-	116,769	82,925	-	-	82,925
Board Retreat	-	29,027	-	29,027	-	28,868	-	28,868
Total operating and other	1,707,329	92,246	221,856	2,021,431	1,593,462	124,094	165,099	1,882,655
<b>TOTAL EXPENSES</b>	<b>\$ 4,565,511</b>	<b>\$ 259,622</b>	<b>\$ 556,605</b>	<b>\$ 5,381,738</b>	<b>\$ 4,169,046</b>	<b>\$ 427,104</b>	<b>\$ 316,605</b>	<b>\$ 4,912,755</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, 2018 AND 2017**

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 20,336	\$ 295,240
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	22,388	17,793
Unrealized/realized (gains) on investments	(24,457)	(4,970)
Bad debt	25,793	13,395
(Redemption) Provision for present value discount	(6,178)	52,593
(Increase) Decrease in operating assets:		
Accounts receivable	36,924	(98,941)
Due from related party	(557,425)	-
Contributions receivable	195,102	(652,000)
Prepaid expenses	19,276	(15,942)
Deposits and other assets	-	13,696
Increase (Decrease) in operating liabilities:		
Accounts payable and other accrued expenses	539,082	52,539
Deferred revenues	27,300	(16,300)
<b>TOTAL ADJUSTMENTS</b>	<u>277,805</u>	<u>(638,137)</u>
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<u>298,141</u>	<u>(342,897)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of fixed assets	(24,104)	(46,864)
Proceeds from sale of investments	300,000	218,468
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>275,896</u>	<u>171,604</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	574,037	(171,293)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>141,403</u>	<u>312,696</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 715,440</u>	<u>\$ 141,403</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, 2018 AND 2017**

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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. As the premier mentoring organization in South Florida, the Organization seeks to strengthen, develop, and secure future leaders in the community by matching vulnerable at-risk children (aged 5-18) with committed adult mentors who provide their time and talents to mentoring them and helping them become productive citizens. For over 59 years, the Organization has successfully engaged thousands of reliable role models (“Bigs”) to help children (“Littles”) achieve success in life. The organizational mission is to provide each child facing adversity with a mentor that awakens them to new possibilities. With a goal of providing every child in need with a personal hero, the Organization is committed to making Miami a dynamic community where children can grow up. Each year, the Organization serves more than 7,000 children, volunteers, and families through programs which are considered the “gold standard” of mentoring in Miami-Dade County.

In addition to the traditional mentoring programs, the Organization now offers wraparound services to the entire family at the new headquarters located at the Carnival Center For Excellence which include: Education, Career Pathways, Digital Learning & Creativity, Music & Arts, and Health & Wellness initiatives. The goal now is to go “Beyond Mentoring” through enhancement services that innovate new ways to help more families. Through a more holistic approach, the Organization proudly provides support and skills to the entire family to have an even greater impact on the Littles, their families, and the community to empower them to succeed through our program opportunities focused on Mentorship, Scholarship, Internship, and Citizenship.

**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, 2018 and 2017, unrestricted assets totaled \$1,490,392 and \$1,451,037 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, 2018 and 2017, temporarily restricted assets totaled \$940,914 and \$959,933 respectively.

**BIG BROTHERS BIG SISTERS OF MIAMI, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2018 and 2017, 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.

Lori Brenner Scholarship Fund (“LBSF”) – These funds represent resources restricted by the Lori Brenner Foundation for the specific purpose of granting college scholarships to eligible youths (graduating “Littles”) in the Big Brothers Big Sisters program.

**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.

**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.

**BIG BROTHERS BIG SISTERS OF MIAMI, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Promises to Give**

When a donor has unconditionally promised to contribute funds to the Organization in future periods, the Organization recognizes a contribution receivable. Contributions expected to be collected within one year are recorded as support and a receivable at net realizable value. Contributions expected to be collected in future years are recorded as support and a receivable at the present value of the expected future cash flows. Discounts on those amounts are computed using interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution income in the statement of activities. For contributions received during the years ended June 30, 2018 and 2017, the discount rate used was 2.73% and 4.25%, respectively. Conditional promises to give are not included as support until the conditions are substantially met.

**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 \$181,290 and \$178,276, and related expense of \$181,290 and \$178,276 are reflected in the accompanying statements of activities for the years ended June 30, 2018 and 2017, 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.

**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.

**BIG BROTHERS BIG SISTERS OF MIAMI, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**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.

**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.

**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, 2018 and 2017, 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 2015.

**BIG BROTHERS BIG SISTERS OF MIAMI, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Subsequent Events**

The Organization has evaluated subsequent events through October 31, 2018, which is the date the financial statements were available to be issued.

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of amounts due to the Organization as of June 30:

	<u>2018</u>	<u>2017</u>
Amounts due in:		
One year or less	\$ 157,500	\$ 209,500
Over one year to five years	300,000	450,000
Less: discount to present value of 2.73% and 4.25%	<u>(39,517)</u>	<u>(52,593)</u>
Contributions receivable, net	<u>\$ 417,983</u>	<u>\$ 606,907</u>

NOTE 4 – INVESTMENTS

Investments consisted of the following at June 30:

	<u>2018</u>	<u>2017</u>
	<u>Market Value</u>	<u>Market Value</u>
General & other investment funds		
Money market	\$ 29,498	\$ 20,634
Equities	-	330,252
Mutual funds	<u>1,113,520</u>	<u>1,067,675</u>
TOTAL INVESTMENTS	<u>\$ 1,143,018</u>	<u>\$ 1,418,561</u>

Subsequent to year end, investments of \$124,175 was transferred to the Organization. (See Note 12)

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

	<u>2018</u>	<u>2017</u>
Interest and dividends, net of fees	\$ 8	\$ 57,296
Unrealized gains	<u>24,457</u>	<u>4,970</u>
	<u>\$ 24,465</u>	<u>\$ 62,266</u>

NOTE 5 – 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).

**BIG BROTHERS BIG SISTERS OF MIAMI, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

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NOTE 5 – FAIR VALUE MEASUREMENTS (Continued)

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, 2018 and 2017.

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. Fixed income is valued based on quoted markets prices in active markets and approximate fair value.

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**  
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NOTE 5 – FAIR VALUE MEASUREMENTS (Continued)

The following tables represents the Organization’s financial instruments measured at fair value on a recurring basis at June 30, 2018 and 2017, respectively, for each of the fair value hierarchy levels:

Description	Fair Value Measurement at June 30, 2018			
	Fair Market Value at 6/30/2018	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	\$ 29,498	\$ 29,498	\$ -	\$ -
Mutual funds	1,113,520	1,113,520	-	-
	<u>\$ 1,143,018</u>	<u>\$ 1,143,018</u>	<u>\$ -</u>	<u>\$ -</u>

Description	Fair Value Measurement at June 30, 2017			
	Fair Market Value at 6/30/2017	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	\$ 20,634	\$ 20,634	\$ -	\$ -
Equities	330,252	330,252	-	-
Fixed income	1,067,675	1,067,675	-	-
	<u>\$ 1,418,561</u>	<u>\$ 1,418,561</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2018	2017
Furniture and equipment	\$ 219,178	\$ 208,816
Capital improvements	13,741	-
Leasehold improvements	20,969	20,969
	<u>253,888</u>	<u>229,785</u>
Less: accumulated depreciation	(184,750)	(162,363)
	<u>\$ 69,138</u>	<u>\$ 67,422</u>



**BIG BROTHERS BIG SISTERS OF MIAMI, INC.**  
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**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

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**NOTE 7 – TEMPORARILY RESTRICTED AND BOARD DESIGNATED NET ASSETS**  
Temporarily restricted and board designated net assets consisted of the following at June 30:

	<u>2018</u>	<u>2017</u>
Temporarily Restricted Net Assets:		
George De Silver Memorial Camp fund	\$ 65,611	\$ 84,515
Carnival Cruise Line and other scholarship fund	304,496	344,596
LBSF	143,173	-
Five Miller Foundation Scholarship fund	425,403	530,822
Children Holiday Party	2,231	-
	<u>\$ 940,914</u>	<u>\$ 959,933</u>
These funds are held in:		
Investments in marketable securities	<u>\$ 940,914</u>	<u>\$ 959,933</u>

**NOTE 8 – 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, 2018 and 2017, respectively:

	<u>2018</u>	<u>2017</u>
Purpose restrictions accomplished:		
Five Miller Foundation Scholarship fund	\$ 105,419	\$ 100,000
George De Silver Memorial Camp fund	18,904	-
Other scholarships	40,850	52,425
Other	-	5,000
Total net assets released from restrictions	<u>\$ 165,173</u>	<u>\$ 157,425</u>

**NOTE 9 – IN-KIND CONTRIBUTIONS**

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

	<u>2018</u>	<u>2017</u>
Art	\$ 15,000	\$ 5,000
Cruises	2,000	-
Food	3,552	23,448
Gift certificates	6,565	55,025
Hotel/trips	35,156	42,275
Jewelry	10,795	6,320
Other	22,896	26,152
Printing, media and art design	27,000	-
Tickets to special events	9,880	20,056
Uniforms	48,446	-
	<u>\$ 181,290</u>	<u>\$ 178,276</u>

**BIG BROTHERS BIG SISTERS OF MIAMI, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

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NOTE 10 – 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, 2018 and 2017 was approximately \$390,000 and \$270,000, respectively. 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, 2018 are as follows:

Year Ending June 30,	
2019	\$ 469,527
2020	482,079
2021	486,353
2022	442,862
Thereafter	115,144
Total	<u>\$ 1,995,965</u>

**Managed Service Agreement**

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 with an annual increase of 3%. Total future minimum payments under the managed service agreement as of June 30, 2018 are \$91,374.

**Retirement Plan**

The Organization has a defined contribution plan covering its full time employees. As of June 30, 2007, employer contributions were suspended and no amounts were contributed during the years ended June 30, 2018 and 2017.

**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, 2018. There was no balance outstanding as of June 30, 2018 and 2017.

**BIG BROTHERS BIG SISTERS OF MIAMI, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

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**NOTE 11 – RENTAL INCOME**

The Organization entered into rental agreements with multiple not for profit organizations for rental space. The agreements expire on various dates through 2022. As of June 30, 2018, the Organization recorded revenue in the amount of approximately \$20,000 which is included on the statement of activities under the caption rental income. Future minimum rental incomes, on these agreements as of June 30, 2018, are as follows:

2019	\$ 105,294
2020	85,794
2021	25,108
2022	8,333
	<u>\$ 224,529</u>

**NOTE 12 – 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, 2018 and 2017, the Organization received \$282,574 and \$265,000, respectively in contributions from the Committee, which has been included in the Statements of Activities. In addition, due to the closing of the Committee, at June 30, 2018, through its Board of Directors, the Committee approved a transfer of all assets of \$557,425 and deferred revenue of \$33,250, respectively to the Organization. This transfer resulted in a net contribution to the Organization of \$378,771 and \$145,404 of unrestricted and temporarily restricted net assets for a total of \$524,175. The total amount of \$557,425 has been included in the Statement of Financial Position as a due from related party.

Big Brothers Big Sisters of Miami Foundation, Inc. (the “Foundation”) is a related party to the Organization. During the years ended June 30, 2018 and 2017, the Organization received \$1,115,000 and \$953,600, 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, 2018 and 2017, the Organization received \$170,000 and \$220,000, 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 statements of financial position as of and for the years ended June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated October 31, 2018.

### **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.

A handwritten signature in cursive script that reads "Verdepin DeArmas Trujillo".

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida  
October 31, 2018