

BREAD AND ROSES

CALIFORNIA

FINANCIAL STATEMENTS

DECEMBER 31, 2014

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Accountants' Review Report	1
Financial Statements:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to the Financial Statements	6-13

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Directors
Bread and Roses
Corte Madera, California

We have reviewed the accompanying statement of financial position of Bread and Roses as of December 31, 2014, and the related statement of activities, functional expenses and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Bread and Roses' management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

R.J. Ricciardi, Inc.

R.J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
April 17, 2015

Bread and Roses
STATEMENT OF FINANCIAL POSITION
For the Year Ended December 31, 2014
(Unaudited)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
<u>ASSETS</u>				
Cash and cash equivalents	\$ 161,922	\$ -	\$ -	\$ 161,922
Investments	201,823	102,644	-	304,467
Receivables	33,551	140,000	-	173,551
Other assets	26,622	-	-	26,622
Property and equipment, net	2,445	-	-	2,445
Intellectual property rights, net	-	41,630	-	41,630
Investments restricted for long-term purposes	-	-	525,635	525,635
Total assets	\$ 426,363	\$ 284,274	\$ 525,635	\$ 1,236,272
<u>LIABILITIES AND NET ASSETS</u>				
Liabilities:				
Accounts payable and accrued expenses	\$ 98,143	\$ -	\$ -	\$ 98,143
Total liabilities	98,143	-	-	98,143
Net assets:				
Unrestricted	328,220	-	-	328,220
Temporarily restricted	-	284,274	-	284,274
Permanently restricted	-	-	525,635	525,635
Total net assets	328,220	284,274	525,635	1,138,129
Total liabilities and net assets	\$ 426,363	\$ 284,274	\$ 525,635	\$ 1,236,272

See notes to the financial statements and independent accountants' review report.

Bread and Roses
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2014
(Unaudited)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and support:				
Foundation grants	\$ 186,500	\$ 140,000	\$ -	\$ 326,500
Contributions	167,430	-	-	167,430
In-kind contributions of services	245,870	-	-	245,870
Special events	378,372	-	-	378,372
Realized and unrealized gains on investments	27,394	33,418	-	60,812
Interest and dividends	10,114	12,339	-	22,453
Royalties	20,918	-	-	20,918
Other income	9,550	-	-	9,550
Net assets released from restrictions	<u>35,000</u>	<u>(35,000)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>1,081,148</u>	<u>150,757</u>	<u>-</u>	<u>1,231,905</u>
Expenses:				
Program services:				
Performances	728,217	-	-	728,217
Education	<u>129,907</u>	<u>-</u>	<u>-</u>	<u>129,907</u>
Total program services	858,124	-	-	858,124
General and administrative	69,999	1,050	-	71,049
Fundraising	<u>150,637</u>	<u>-</u>	<u>-</u>	<u>150,637</u>
Total expenses	<u>1,078,760</u>	<u>1,050</u>	<u>-</u>	<u>1,079,810</u>
Changes in net assets	2,388	149,707	-	152,095
Net assets, beginning of year	<u>325,832</u>	<u>134,567</u>	<u>525,635</u>	<u>986,034</u>
Net assets, end of year	<u>\$ 328,220</u>	<u>\$ 284,274</u>	<u>\$ 525,635</u>	<u>\$ 1,138,129</u>

See notes to the financial statements and independent accountants' review report.

Bread and Roses
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2014
(Unaudited)

	Program Services		Total	General and		Total
	Performances	Education	Program Services	Administrative	Fundraising	
Expenses:						
Salaries and employee benefits	\$ 373,174	\$ 103,999	\$ 477,173	\$ 55,059	\$ 79,529	\$ 611,761
In-kind contributions of services	245,870	-	245,870	-	-	245,870
Occupancy	38,615	10,762	49,377	5,697	8,229	63,303
Accounting and payroll services	26,258	7,318	33,576	3,874	5,596	43,046
Fundraising events and campaigns	-	-	-	-	42,215	42,215
Office expense	20,922	5,831	26,753	3,087	4,459	34,299
Public relations and printing	4,188	1,167	5,355	618	893	6,866
Volunteer management	6,898	-	6,898	-	-	6,898
Show production	9,313	-	9,313	-	-	9,313
Amortization and depreciation	-	-	-	2,272	-	2,272
Merchant card fees and Board expenses	-	-	-	-	9,081	9,081
Other expenses	2,979	830	3,809	442	635	4,886
Total expenses	<u>\$ 728,217</u>	<u>\$ 129,907</u>	<u>\$ 858,124</u>	<u>\$ 71,049</u>	<u>\$ 150,637</u>	<u>\$ 1,079,810</u>

See notes to the financial statements and independent accountants' review report.

Bread and Roses
STATEMENT OF CASH FLOWS
(Unaudited)
For the Year Ended December 31, 2014

Cash flows from operating activities:	
Changes in net assets	\$ 152,095
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:	
Depreciation and amortization	2,272
Net realized and unrealized gains on investments	(60,812)
Value of donated stock	(46,961)
Changes in certain assets and liabilities:	
Receivables	(126,277)
Other assets	(669)
Accounts payable and accrued expenses	71,142
Net cash provided by operating activities	(9,210)
Cash flows from investing activities:	
Purchase of fixed assets	(3,667)
Proceeds from sale of investments	111,891
Purchases of investments	(17,443)
Net cash provided by investing activities	90,781
Net increase (decrease) in cash and cash equivalents	81,571
Cash and cash equivalents, beginning of year	80,351
Cash and cash equivalents, end of year	\$ 161,922

See notes to the financial statements and independent accountants' review report.

Bread and Roses
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Bread and Roses (the Organization) is a nonprofit corporation, and is governed by a Board of Directors. Founded in 1974 by Mimi Fariña, the Organization provides free, live, quality entertainment to people who live in institutions or are otherwise isolated from society. Performances by volunteer professional entertainers take place in convalescent homes, AIDS facilities, drug and alcohol treatment facilities, special needs schools, centers for the developmentally disabled, detention facilities and homeless shelters.

The Organization receives the majority of its funding from foundations, corporations and individuals. In-kind services from professional performers add considerably to the services provided by the Organization. During the year ended December 31, 2014, the Organization produced over 600 free shows in numerous facilities throughout the San Francisco Bay Area.

B. Basis of Accounting

The financial statements and records of the Organization are prepared on the accrual basis of accounting and, therefore, include all support and revenues when earned and all expenses when incurred, regardless of whether the support and revenues or expenses were received or paid as of the end of the period.

C. Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis in conformity with U.S. generally accepted accounting principles.

D. Functional Allocation of Expenses

The costs of providing the program services and supporting services of the Organization are reported on the Statement of Functional Expenses. Expenses that can be directly identified with a specific function are allocated directly to that function. Expenses that cannot be directly identified with a specific function are allocated among the program services and supporting services based on allocation methods and estimates made by the Organization's management and approved by the Board of Directors.

E. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United State of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

F. Concentration of Funding and Credit Risk

Financial instruments that potentially subject the Organization to a concentration of credit risk consist principally of cash on deposit and investments in equity and debt securities. The balances of cash at times may exceed federally insured limits. The Organization has not experienced any permanent losses with respect to these accounts. Management believes the Organization is not exposed to any significant credit risk with respect to cash on deposits.

Bread and Roses
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Concentration of Funding and Credit Risk (concluded)

Investment securities are exposed to various risks, such as changes in interest rates or credit ratings, general economic conditions and market fluctuations. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is possible that the value of the Organization's investments and the total net assets balance could fluctuate materially.

G. Cash and Cash Equivalents

Cash and cash equivalents consist of cash and money market funds.

H. Investments

Investments in all debt and equity securities are stated at fair value and are considered available for sale. Fair value is determined based on quoted market prices. Realized and unrealized gains or losses on investments are recorded in the Statement of Activities in the period that such gains or losses or fluctuations occur.

The Organization has categorized all investment assets on an individual security basis according to the fair value hierarchy as Level 1, investment assets with observable inputs that are derived from quoted prices for identical assets or liabilities in an active market; Level 2, quoted prices in non-active markets or in active markets for similar assets or liabilities, inputs other than quoted prices that are observable, and input that are not directly observable, but are corroborated by observable market data; or Level 3, unobservable inputs, which cannot be corroborated by external market data.

I. Property and Equipment

Property and equipment are recorded at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Depreciation is computed primarily on a straight-line basis over the estimated useful lives ranging from three to five years. It is the policy of the Organization to capitalize property and equipment with a cost or fair market value of \$1,000 or more.

J. Intellectual Property Rights

Intellectual property rights consist of copyrights pertaining to musical works and a hybrid tea rose variety rights (rose named after Mimi Fariña), which were purchased by the Organization. The musical works are being amortized over their estimated legal life, which is 70 years subsequent to the death of the artist. Rose variety rights are amortized over 15 years using the straight-line method.

Bread and Roses
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Net Assets

The financial activities of the Organization are classified into one of three classes of net assets:

Unrestricted: Those net assets and activities which present the portion of expendable Organization funds available to support operations. A portion of these net assets may be designated by the Board of Directors for specific purposes.

Temporarily restricted: Those net assets and activities that are donor-restricted for: (a) support of specific operating activities; (b) investment for a specified term; (c) use in a specified future period; or (d) acquisition of long-lived assets.

Permanently restricted: Those net assets and activities that are permanently donor-restricted for holdings of: (a) assets donated with stipulations that they be preserved and not be sold; or (b) assets donated with stipulations that they be invested to provide a permanent source of income.

L. The Endowment Funds

The Organization adopted a definition of endowment to mean all of an organization's endowment funds, including both donor-restricted endowment funds and those established by board designation. The Organization considers endowment funds to be cash, securities or other assets that are invested to provide income for the Organization.

The portion of an endowment that must be maintained permanently – not used, expended, or otherwise exhausted – is classified as permanently restricted net assets. The portion of an endowment that must be maintained for a specified term is classified as temporarily restricted net assets. Funds specified by the Organization's Board of Directors to be invested to provide income for a long but unspecified period are classified as unrestricted net assets.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Uniform Prudent Management of Institutional Funds Act (UPMIFA) requires the Organization to retain as a fund of perpetual duration. Such deficiencies are reported as unrestricted net assets.

M. Revenue and Support Recognition

The Organization records contributions when the donor makes an unconditional promise to give. Donor-restricted contributions are reported as increases in temporarily restricted net assets. Temporarily restricted net assets are reclassified to unrestricted net assets when restrictions are satisfied. Donor-restricted contributions that are received and their restrictions met in the same fiscal year are reported as unrestricted contributions. Conditional promises to give are recognized when the conditions are substantially met.

Bread and Roses
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Contributed Goods and Services

Contributions of goods and donated use of facilities are recognized at fair value when received. Contributions of services are recognized at fair value when received if such services create or enhance nonfinancial assets, or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated.

In-kind services are valued for all the performances the Organization produces each year, since the performers and those who host the event all volunteer their time. This is at the heart of the Organization's mission and operation. For every performer, the Organization calculates the hours spent performing, times union rates; for every host, the Organization calculates the hours they spend hosting or preparing for the event times different rates, based on the task.

In-kind program services of professional entertainment performers and show production costs of \$245,870 were recognized on the Statement of Activities for the year ended December 31, 2014.

O. Change to Calendar Year

During 2013, the Organization had changed to a calendar year ending December 31st from a fiscal year ending June 30th. This current review report is for the period beginning on January 1, 2014 and ending December 31, 2014.

P. Income Taxes

The Organization is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and under Section 23701d of the California Revenue and Taxation Code.

The Organization recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. The Organization does not believe its financial statements include any uncertain tax positions. The Organization's returns are subject to examination by federal and state authorities, generally for three and four years, respectively, after they are filed.

Q. Subsequent Event

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 17, 2015, the date the financial statements were available to be issued.

Bread and Roses
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 2 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents for the year ended December 31, 2014 were as follows:

Bank of Marin	\$	35,276
Petty Cash		250
Charles Schwab Money Market		<u>126,396</u>
Total cash and cash equivalents	\$	<u>161,922</u>

The Organization maintains cash balances at various financial institutions. Accounts at the financial institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000 each. At December 31, 2014, the Organization's cash in bank was \$35,276. It is the opinion of management that the solvency of the referenced financial institutions is not of particular concern at this time.

NOTE 3 - INVESTMENTS

The Organization has categorized all investment assets on an individual security basis according to the fair value hierarchy as Level 1.

The fair market value of the investments and investments restricted for long-term purposes at December 31, 2014 is as follows:

Mutual funds:		
Short term bond market	\$	108,527
Total bond market		114,696
Real estate equities		101,554
Income equities		255,986
Total stock market		<u>249,339</u>
Total mutual funds	\$	<u>830,102</u>
Investments – unrestricted	\$	201,823
Investments – temporarily restricted		102,644
Investments restricted for long-term purposes		<u>525,635</u>
Total investments and investments restricted for long-term purposes	\$	<u>830,102</u>

NOTE 4 - RECEIVABLES

Receivables as of December 31, 2014 represent amounts due from the following:

Grants receivable	\$	140,000
Pledges receivable		33,382
Royalties receivable		<u>169</u>
Total receivables	\$	<u>173,551</u>

Bread and Roses
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2014 consist of the following:

Property and Equipment:	
Computers	\$ 3,667
Total property and equipment	3,667
Accumulated depreciation	<u>(1,222)</u>
Property and equipment, net of accumulated depreciation	<u>\$ 2,445</u>

Depreciation expense for the year ended December 31, 2014 was \$1,222.

NOTE 6 - INTELLECTUAL PROPERTY RIGHTS

Intellectual property rights consists of copyrights and hybrid rose variety rights.

Total intellectual property rights	\$ 60,500
Accumulated amortization	<u>(18,870)</u>
Intellectual property rights, net of accumulated amortization	<u>\$ 41,630</u>

Amortization expense for the year ended December 31, 2014 was \$1,050.

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2014 are as follows:

Endowment – temporarily restricted	\$ 102,644
Future operating support	140,000
Intellectual property rights, net	<u>41,630</u>
Temporarily restricted net assets	<u>\$ 284,274</u>

NOTE 8 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at December 31, 2014 consist of an operating support endowment of \$525,635.

NOTE 9 - ENDOWMENT

The Organization's endowment consists entirely of donor-restricted funds that are required to be retained permanently by the Organization. In accordance with generally accepted accounting principles, net assets associated with these endowment funds are classified and reported as permanently restricted assets.

Bread and Roses
NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2014

NOTE 9 - ENDOWMENT (concluded)

The Board of Directors of the Organization has interpreted the UPMIFA 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 Organization 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) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time of accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Organization has adopted investment and spending policies for endowment assets which attempt to provide a predictable stream of funding to its programs and general operations while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results which exceed the price and yield results of the major indices.

The Finance and Investment Committee is directed to maintain a portfolio diversification with equities ranging from 50% to 70% and fixed income securities ranging from 30% to 50%. The guidelines for endowment draws allows for a maximum of 5% of that balance to be distributed to the Organization operating account.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

Changes in endowment net assets for the year ended December 31, 2014 were as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at January 1, 2014	\$ 91,887	\$ 525,635	\$ 617,522
Investment return:			
Interest and dividends	12,338	-	12,338
Net realized and unrealized appreciation	33,419	-	33,419
Total investment return	45,757	-	45,757
Appropriation for expenditure	(35,000)	-	(35,000)
Endowment net assets, at December 31, 2014	\$ 102,644	\$ 525,635	\$ 628,279

Bread and Roses
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 10 - RETIREMENT PLAN

The Organization maintains a defined contribution 403(b) retirement plan for all eligible employees. Employees are eligible to make elective contributions following the date of hire up to the maximum allowed by the Internal Revenue Code. The Organization, at the discretion of the Board of Directors, provides matching employee contributions to the plan, not to exceed 5% of each employee's annual salary. There was no employer matching contribution to the plan during the year ended December 31, 2014.

NOTE 11 - LEASE COMMITMENT

The Organization leases office space in Corte Madera under a non-cancelable operating lease agreement expiring April 30, 2016. The lease provides for monthly payments starting at \$4,405 and annual rent increases based on the consumer price index, with a minimum annual increase of 2% and a maximum increase of no more than 5%. The minimum future rental payments under this non-cancelable operating lease are as follows:

<u>Years Ending December 31,</u>	
2015	\$ 55,178
2016	<u>46,745</u>
Total lease commitment	<u>\$ 101,923</u>

Rental expense for the year ended December 31, 2014 was \$59,558.