

**BREAD AND ROSES**  
**FINANCIAL STATEMENTS**  
**For the Year Ended**  
**December 31, 2015**

## TABLE OF CONTENTS

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

## **Independent Accountants' Review Report**

Board of Directors  
Bread and Roses

We have reviewed the accompanying financial statements of Bread and Roses, which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company 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'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.

### **Accountants' Responsibility**

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### **Accountants' Conclusion**

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 accordance with accounting principles generally accepted in the United States of America.



Novato, California

July 22, 2016

**BREAD AND ROSES****STATEMENT OF FINANCIAL POSITION****December 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 176,093	\$ -	\$ -	\$ 176,093
Investments	125,554	-	-	125,554
Grants receivable	-	60,000	-	60,000
Pledges receivable	15,000	-	-	15,000
Royalties receivable	2,272	-	-	2,272
Inventory	3,184	-	-	3,184
Prepaid expenses and deposits	21,862	-	-	21,862
Property and equipment, net	1,222	-	-	1,222
Intellectual property rights, net	-	40,580	-	40,580
Investments restricted for long-term purposes	<u>-</u>	<u>76,479</u>	<u>525,635</u>	<u>602,114</u>
Total assets	<u>\$ 345,187</u>	<u>\$ 177,059</u>	<u>\$ 525,635</u>	<u>\$ 1,047,881</u>
<b>LIABILITIES AND NET ASSETS</b>				
Liabilities:				
Accounts payable	\$ 13,425	\$ -	\$ -	\$ 13,425
Accrued vacation payable	<u>21,064</u>	<u>-</u>	<u>-</u>	<u>21,064</u>
Total liabilities	34,489	-	-	34,489
Net assets:				
Unrestricted	310,698	-	-	310,698
Temporarily restricted	-	177,059	-	177,059
Permanently restricted	<u>-</u>	<u>-</u>	<u>525,635</u>	<u>525,635</u>
Total net assets	<u>310,698</u>	<u>177,059</u>	<u>525,635</u>	<u>1,013,392</u>
Total liabilities and net assets	<u>\$ 345,187</u>	<u>\$ 177,059</u>	<u>\$ 525,635</u>	<u>\$ 1,047,881</u>

See accompanying notes and independent accountants' review report.

**BREAD AND ROSES**

**STATEMENT OF ACTIVITIES**

**For the Year Ended December 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and support:				
Special events revenue	\$ 251,861	\$ -	\$ -	\$ 251,861
Direct benefits to donors	<u>(58,216)</u>	<u>-</u>	<u>-</u>	<u>(58,216)</u>
Special events, net	193,645	-	-	193,645
Foundation grants	89,500	20,000	-	109,500
Contributions	296,448	-	-	296,448
In-kind contributions of services	288,258	-	-	288,258
Realized and unrealized losses				
on investments	(7,971)	(15,259)	-	(23,230)
Interest and dividends	10,714	20,508	-	31,222
Royalties	14,050	-	-	14,050
Other income	146	-	-	146
Net assets released from restrictions	<u>132,464</u>	<u>(132,464)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>1,017,254</u>	<u>(107,215)</u>	<u>-</u>	<u>910,039</u>
Expenses:				
Program services:				
Performances	731,668	-	-	731,668
Education	<u>124,033</u>	<u>-</u>	<u>-</u>	<u>124,033</u>
Total program services	<u>855,701</u>	<u>-</u>	<u>-</u>	<u>855,701</u>
Supporting services:				
General and administrative	61,892	-	-	61,892
Fundraising	<u>117,183</u>	<u>-</u>	<u>-</u>	<u>117,183</u>
Total supporting services	<u>179,075</u>	<u>-</u>	<u>-</u>	<u>179,075</u>
Total expenses	<u>1,034,776</u>	<u>-</u>	<u>-</u>	<u>1,034,776</u>
Changes in net assets	(17,522)	(107,215)	-	(124,737)
Net assets, beginning of year	<u>328,220</u>	<u>284,274</u>	<u>525,635</u>	<u>1,138,129</u>
Net assets, end of year	<u>\$ 310,698</u>	<u>\$ 177,059</u>	<u>\$ 525,635</u>	<u>\$ 1,013,392</u>

See accompanying notes and independent accountants' review report.

**BREAD AND ROSES**

**STATEMENT OF CASH FLOWS**

**For the Year Ended December 31, 2015**

Cash flows from operating activities:	
Changes in net assets	\$ (124,737)
Adjustments to reconcile changes in net assets to net cash used by operating activities:	
Net realized and unrealized gains on investments	23,230
Amortization and depreciation	2,273
(Increase) decrease in assets:	
Grants receivable	80,000
Pledges receivable	18,382
Royalties receivable	(2,103)
Prepaid expenses and deposits	1,576
Increase (decrease) in liabilities:	
Accounts payable	(66,037)
Accrued vacation payable	<u>2,383</u>
Total adjustments	<u>59,704</u>
Net cash used by operating activities	<u>(65,033)</u>
Cash flows from investing activities:	
Proceeds from sale of investments	140,912
Purchases of investments	<u>(61,708)</u>
Net cash provided by investing activities	<u>79,204</u>
Net increase in cash and cash equivalents	14,171
Cash and cash equivalents, beginning of year	<u>161,922</u>
Cash and cash equivalents, end of year	<u><u>\$ 176,093</u></u>

See accompanying notes and independent accountants' review report.

**BREAD AND ROSES**

**STATEMENT OF FUNCTIONAL EXPENSES**

**For the Year Ended December 31, 2015**

	<u>Performances</u>	<u>Education</u>	<u>Total Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and employee benefits	\$ 340,535	\$ 98,576	\$ 439,111	\$ 42,567	\$ 78,413	\$ 560,091
In-kind contribution of services	288,258	-	288,258	-	-	288,258
Occupancy	38,865	11,250	50,115	4,859	8,949	63,923
Accounting and payroll services	23,595	6,830	30,425	9,009	5,433	44,867
Office expense	13,073	3,784	16,857	1,634	3,010	21,501
Fundraising events	-	-	-	-	18,520	18,520
Telephone and internet	5,420	1,569	6,989	677	1,248	8,914
Volunteer management	7,985	-	7,985	-	-	7,985
Show production	6,946	-	6,946	-	-	6,946
Public relations	3,599	1,042	4,641	449	829	5,919
Other expenses	2,594	751	3,345	324	597	4,266
Amortization and depreciation	-	-	-	2,273	-	2,273
Consultants	798	231	1,029	100	184	1,313
<b>Totals</b>	<b><u>\$ 731,668</u></b>	<b><u>\$ 124,033</u></b>	<b><u>\$ 855,701</u></b>	<b><u>\$ 61,892</u></b>	<b><u>\$ 117,183</u></b>	<b><u>\$ 1,034,776</u></b>
			83%	6%	11%	100%

See accompanying notes and independent accountants' review report.

## **BREAD AND ROSES**

### **NOTES TO FINANCIAL STATEMENTS**

**December 31, 2015**

#### **NOTE A -- Description of 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, 2015, the Organization produced over 600 free shows in numerous facilities throughout the San Francisco Bay Area.

At the heart of the Organization's mission and operation are its volunteers. The Organization would not have been able to produce over 600 free shows without the work of 1,000+ volunteer musicians, 40 volunteer hosts and 100 volunteers who assist with events and office work.

#### **NOTE B -- Summary of significant accounting policies**

##### **Basis of presentation**

The financial statements were prepared on the accrual basis of accounting.

##### **Cash and cash equivalents**

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

##### **Inventory**

Inventory consists primarily of logo merchandise and is valued at lower of cost or market using first-in-first-out method.

##### **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 inputs 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.

See independent accountants' review report.

## BREAD AND ROSES

### NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2015

#### **NOTE B** -- Summary of significant accounting policies (continued)

##### **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 \$2,500 or more.

##### **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.

##### **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 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 which 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 which 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.

##### **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.

See independent accountants' review report.

## **BREAD AND ROSES**

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

**December 31, 2015**

#### **NOTE B -- Summary of significant accounting policies (continued)**

##### **Endowment funds (continued)**

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 UPMIFA requires the Organization to retain as a fund of perpetual duration. Such deficiencies are classified as part of unrestricted net assets.

##### **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.

##### **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.

##### **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.

See independent accountants' review report.

**BREAD AND ROSES**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**December 31, 2015**

**NOTE B -- Summary of significant accounting policies (continued)**

**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 program services of professional entertainment performers and show production costs of \$288,258 were recognized on the Statement of Activities for the year ended December 31, 2015.

**Concentrations of credit risk**

Financial instruments that potentially subject the Organization to a concentration of credit risk consist principally of cash deposits, money market funds and investments in equity and debt securities. The balances 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 and money market funds.

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.

**Use of estimates**

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

**NOTE C -- 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, 2015 is as follows:

Mutual fund-bonds	\$ 234,587
Mutual funds-equities	<u>493,081</u>
Total investments	<u>\$ 727,668</u>

See independent accountants' review report.

**BREAD AND ROSES**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**December 31, 2015**

**NOTE D -- Property and equipment**

Property and equipment at December 31, 2015 consist of the following:

Furniture and fixtures	\$ 13,158
Computers and office equipment	<u>56,015</u>
	69,173
Less accumulated depreciation	<u>(67,951)</u>
Property and equipment, net	<u><u>\$ 1,222</u></u>

**NOTE E -- Intellectual property rights**

Intellectual property rights consist of copyrights and hybrid rose variety rights with a total cost of \$60,500 and accumulated amortization of \$19,920.

**NOTE F -- Temporarily restricted net assets**

Endowment - temporarily restricted	\$ 76,479
Intellectual property rights, net	40,580
Future operating support	<u>60,000</u>
Temporarily restricted net assets	<u><u>\$ 177,059</u></u>

**NOTE G -- Permanently restricted net assets**

Permanently restricted net assets at December 31, 2015 consist of an operating support endowment of \$525,635.

**NOTE H -- 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.

See independent accountants' review report.

## BREAD AND ROSES

### NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2015

#### **NOTE H** -- Endowment (continued)

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (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 endowment portfolio 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

See independent accountants' review report.

## BREAD AND ROSES

### NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2015

#### **NOTE H** -- Endowment (continued)

Changes in endowment net assets, presented on the statement of financial position as investments restricted for long-term purposes, for the year ended December 31, 2015 were as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, at January 1, 2015	\$ 102,644	\$ 525,635	\$ 628,279
Interest and dividends	20,508	-	20,508
Net realized and unrealized losses	<u>(15,259)</u>	<u>-</u>	<u>(15,259)</u>
Total investment return, net	5,249	-	5,249
Appropriations for expenditure	<u>(31,414)</u>	<u>-</u>	<u>(31,414)</u>
Endowment net assets, at December 31, 2015	<u>\$ 76,479</u>	<u>\$ 525,635</u>	<u>\$ 602,114</u>

#### **NOTE I** -- 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 were no employer matching contributions to the plan during the year ended December 31, 2015.

#### **NOTE J** -- Lease commitments

The Organization leases office space in Corte Madera, California under a non-cancelable operating lease agreement expiring April 30, 2021. The lease agreement was renewed for five years after it expired on April 30, 2016. The lease provides for monthly payments of \$4,740 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%. Rent expense under this lease for the year ended December 31, 2015 was \$58,446.

See independent accountants' review report.

**BREAD AND ROSES**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**December 31, 2015**

**NOTE J -- Lease commitments** (continued)

Future minimum lease payments required under this operating lease are as follows:

<u>Years Ending December 31,</u>	
2016	\$ 58,401
2017	59,949
2018	61,148
2019	62,371
2020	63,618
Thereafter	<u>21,345</u>
	<u>\$ 326,832</u>

**NOTE K -- Subsequent events**

The date to which events occurring after December 31, 2015 have been evaluated for possible adjustments to the financial statements or disclosure is July 22, 2016, which is the date on which the financial statements were available to be issued.

See independent accountants' review report.