

**Barbells for Boobs**

**Financial Statements**  
**For the Fifteen Months Ended**  
**March 31, 2016**  
**and**  
**Independent Auditor's Report**

**Barbells for Boobs**  
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## Independent Auditor's Report

To the Board of Directors of  
Barbells for Boobs  
Santa Ana, California

We have audited the accompanying financial statements of Barbells for Boobs (a non-profit organization) (the Organization) which comprise the statement of financial position as of March 31, 2016 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the fifteen months then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Barbells for Boobs as of March 31, 2016, and the changes in its net assets and its cash flows for the fifteen months then ended in accordance with accounting principles generally accepted in the United States of America.

*HBKA Certified Public Accountants, Inc.*

February 10, 2017

**Barbells for Boobs**  
**Statement of Financial Position**  
**March 31, 2016**

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**Assets**

Current Assets

Cash	\$	443,249
Contributions receivable		<u>30,000</u>

Total current assets		473,249
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Property and Equipment, net		<u>131,568</u>
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Total assets	\$	<u><u>604,817</u></u>
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**Liabilities and Net Assets**

Current Liabilities

Grants payable	\$	209,000
Accrued expenses		51,127
Note payable, current portion		<u>7,774</u>

Total current liabilities		267,901
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Long-Term Debt

Note payable, net of current portion		<u>14,849</u>
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Total liabilities		282,750
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Net Assets

Unrestricted net assets		<u>322,067</u>
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Total liabilities and net assets	\$	<u><u>604,817</u></u>
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See accompanying notes to financial statements and independent auditor's report.

**Barbells for Boobs**  
**Statement of Activities and Changes in Net Assets**  
**For the Fifteen Months Ended March 31, 2016**

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	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support, Revenue, and Net Assets			
Released from Restriction			
Contributions	\$ 2,114,566	\$ -	\$ 2,114,566
In-kind contributions	43,259	-	43,259
Merchandise sales	46,605	-	46,605
Loss on sale of property and equipment	(24,469)	-	(24,469)
Other income	4,412	-	4,412
Net assets released from restriction	<u>35,900</u>	<u>(35,900)</u>	<u>-</u>
Total support, revenue, and net assets released from restriction	<u>2,220,273</u>	<u>(35,900)</u>	<u>2,184,373</u>
Expenses			
Program expense	2,756,023	-	2,756,023
Administration expense	152,155	-	152,155
Fundraising expense	<u>336,696</u>	<u>-</u>	<u>336,696</u>
Total expenses	<u>3,244,874</u>	<u>-</u>	<u>3,244,874</u>
Decrease in net assets	(1,024,601)	(35,900)	(1,060,501)
Net assets, beginning of period	<u>1,346,668</u>	<u>35,900</u>	<u>1,382,568</u>
Net assets, end of period	<u>\$ 322,067</u>	<u>\$ -</u>	<u>\$ 322,067</u>

See accompanying notes to financial statements and independent auditor's report.

**Barbells for Boobs**  
**Statement of Functional Expenses**  
**For the Fifteen Months Ended March 31, 2016**

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	Program	Support Services		Total
		Administration	Fundraising	
Salaries and benefits	\$ 690,433	\$ 86,604	\$ 109,538	\$ 886,575
Grants	838,036	-	-	838,036
Events expense	129,938	706	35,418	166,062
Marketing and print	44,922	32	12,959	57,913
Insurance	83,365	10,457	13,225	107,047
Professional services	330,281	19,200	78,071	427,552
Information and technology	26,279	3,279	4,280	33,838
Travel	185,295	616	18,681	204,592
Meals and entertainment	35,895	398	3,173	39,466
Website	2,145	-	713	2,858
Depreciation	67,061	8,412	10,639	86,112
Rent and utilities	78,277	5,267	25,057	108,601
Apparel	51,644	-	-	51,644
Postage	66,091	8,290	10,485	84,866
Bank fees	47,137	290	366	47,793
Miscellaneous	79,224	8,604	14,091	101,919
<b>TOTAL EXPENSES</b>	<b>\$ 2,756,023</b>	<b>\$ 152,155</b>	<b>\$ 336,696</b>	<b>\$ 3,244,874</b>

See accompanying notes to financial statements and independent auditor's report.

**Barbells for Boobs**  
**Statement of Cash Flows**  
**For the Fifteen Months Ended March 31, 2016**

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Cash Flows from Operating Activities	
Decrease in net assets	<u>\$ (1,060,501)</u>
Adjustments to reconcile decrease in net assets to net cash used by operating activities:	
Depreciation	86,112
Loss on sale of property and equipment	24,469
Decrease in assets:	
Contributions receivable	15,250
Inventory	13,578
Deposits and other non-current assets	30,570
Increase (decrease) in liabilities:	
Grants payable	(68,392)
Accrued expenses	<u>34,736</u>
Total adjustments	<u>136,323</u>
Net cash used by operating activities	<u>(924,178)</u>
Cash Flows from Investing Activities	
Purchases of property and equipment	(2,853)
Proceeds from sale of property and equipment	<u>42,610</u>
Net cash provided by investing activities	<u>39,757</u>
Cash Flows from Financing Activities	
Principal payments on note payable	<u>(9,411)</u>
Net decrease in cash	(893,832)
Cash, beginning of year	<u>1,337,081</u>
Cash, end of year	<u>\$ 443,249</u>

See accompanying notes to financial statements and independent auditor's report.

**Barbells for Boobs**  
**Notes to Financial Statements**  
**March 31, 2016**

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**1. Organization**

Barbells for Boobs (a California non-profit Corporation) (the Organization), based in Santa Ana, California, is a not-for-profit organization formed in 2010 that raises awareness of breast cancer and makes grants to qualified healthcare organizations that are used to fund initial consultations, screenings, diagnostics and access to treatment for all women regardless of their age and ability to pay. The Organization raises funds primarily from individual donors and provides grants to organizations with similar missions.

**2. Summary of Significant Accounting Policies**

Management Estimates

Preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Support and Revenue

Contributions are recorded as revenue, at fair value, when received or promised unconditionally. Contributions received with donor restrictions that limit the use of the donated assets are reported as either temporarily restricted or permanently restricted support. When a donor restriction is met through the passage of time or fulfillment of a purpose restriction, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions. Conditional contributions are recognized as support when the conditions have been substantially met.

The Organization receives most of its income from contributions. Individuals and groups establish online fundraising pages that direct donations to the Organization. The Organization also holds campaign activities in affiliation with CrossFit, a company that runs a strength and conditioning program and provides accredited fitness training seminars throughout the world. The fundraising events are hosted by CrossFit affiliates throughout the country and involve thousands of athletes, cancer survivors, and supporters of the Organization's cause.

Donated Services, Supplies, and Apparel

The Organization receives "in-kind" contributions of apparel, supplies, and other materials used in its programs. Donated apparel, supplies, and other materials are recorded at their estimated fair values on the date of donation. During the fifteen months ended March 31, 2016, the Organization received approximately \$43,000 of donated apparel, all of which was identified as promotional items to be given away at program events or reward items to be given away to fundraisers and, therefore, expensed immediately as apparel in the statement of functional expenses.

A substantial number of volunteers have made significant contributions of their time to help develop the Organization's programs and activities. No amounts have been reported in the financial statements for these donated services because the services do not meet the reporting requirements of Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. The value of contributed services is recognized if the services received require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services that do not meet the criteria are not recognized.

Net Asset Classification

The Organization reports information regarding its financial position and activities according to three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) based upon the existence or absence of donor-imposed restrictions. As of March 31, 2016, there were no temporarily or permanently restricted net assets.



**Barbells for Boobs**  
**Notes to Financial Statements**  
**March 31, 2016**

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**2. Summary of Significant Accounting Policies (Continued)**

Cash and Cash Equivalents

The Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. There were no cash equivalents at March 31, 2016.

Inventory

The Organization sells apparel through its website. The cost of apparel sold of approximately \$52,000 is included in apparel in the statement of functional expenses. There is no apparel inventory reported in the statement of financial position since all of the apparel owned by the Organization as of March 31, 2016 is to be given away as promotional items.

Investments

Investments are valued at their fair values in the statement of financial position. Realized and unrealized gains and losses are included in the statement of activities and changes in net assets. There were no investment holdings at March 31, 2016.

Property and Equipment

Property and equipment are stated at cost or, if donated, at the approximate fair value on the date of donation. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, which is five to seven years for computer equipment, furniture, and fixtures, and five years for vehicles. Leasehold improvements are depreciated over the shorter of the useful life of the improvement or the lease term. Expenditures for maintenance and repairs are expensed in the period incurred.

Functional Allocation of Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Certain costs have been allocated among the programs, administrative, and fundraising activities benefited.

Income Taxes

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code (IRC) and from state income taxes under the applicable California Revenue and Taxation Code section. In addition, the Organization has been determined by the Internal Revenue Service (IRS) not to be a "private foundation" within the meaning of Section 509(a) of the IRC.

The Organization's informational returns for 2012 and subsequent remain open for examination by the IRS. The returns for California, the Organization's only state jurisdiction, remain open for examination by state tax authorities for 2011 and subsequent.

Advertising

Advertising costs are expensed as incurred.

**Barbells for Boobs**  
**Notes to Financial Statements**  
**March 31, 2016**

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**2. Summary of Significant Accounting Policies (Continued)**

Subsequent Events

Management has evaluated subsequent events through February 10, 2017, the date the financial statements were available to be issued.

**3. Property and Equipment**

Property and equipment consist of the following at March 31, 2016:

Furniture and fixtures	\$	128,160
Computer and other equipment		70,222
Vehicle		<u>41,920</u>
Total property and equipment		240,302
Less accumulated depreciation		<u>(108,734)</u>
Total property and equipment, net	\$	<u><u>131,568</u></u>

**4. Grants Payable**

Grants payable consist of amounts awarded but not paid to nonprofit organizations. Grants payable are recorded at the amount of the commitment, which is estimated to be equivalent to net present value.

**5. Note Payable**

The note, dated January 7, 2014, bears interest at 2.9%, is secured by a vehicle, and requires monthly principal and interest payments of \$694 through January 2019. (See Note 9.)

Principal payments on the note are as follows for the years ending March 31:

2017	\$	7,774
2018		8,002
2019		<u>6,847</u>
	\$	<u><u>22,623</u></u>

**6. Operating Lease Commitment**

The Organization leased its Costa Mesa, California facility under a lease agreement dated November 7, 2012. The minimum monthly base rent was approximately \$2,300 and the lease matured in December 2015. In January 2016, the Organization moved to a new facility in Santa Ana, California and entered into a lease agreement effective January 1, 2016 and maturing on December 31, 2018. Base monthly rent is approximately \$3,300. Rent expense was approximately \$45,000 for the fifteen months ended March 31, 2016.

**Barbells for Boobs**  
**Notes to Financial Statements**  
**March 31, 2016**

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**6. Operating Lease Commitment (Continued)**

Future minimum lease payments are as follows for the years ending March 31:

2017	\$	40,500
2018		40,500
2019		<u>30,375</u>
Total	\$	<u>111,375</u>

**7. Allocation of Joint Costs**

The Organization conducted activities that included requests for contributions as well as program and management and general components. Those activities primarily included involvement in special events, such as the CrossFit Games and the Pink Bra Tour. The costs of conducting those activities during the fifteen months ended March 31, 2016 included a total of approximately \$2,226,000 of joint costs, which are not specifically attributable to particular components of the activities (joint costs). These joint costs were allocated as follows:

Program	\$	1,749,980
Administration		146,636
Fundraising		<u>329,498</u>
Total	\$	<u>2,226,114</u>

**8. Concentrations of Credit Risk**

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, deposits of up to \$250,000 at FDIC-insured institutions are covered by FDIC insurance. At times, deposits may be in excess of the FDIC insurance limit; however, management does not believe the Organization is exposed to any significant related credit risk.

**9. Related Party Transactions**

During the fifteen months ended March 31, 2016, the Organization paid consulting service fees of approximately \$132,000 to an individual related to the Executive Director (ED).

On January 7, 2014, the ED financed the purchase of a vehicle intended for the exclusive use of the Organization. The Organization assumed all ownership rights of the vehicle and all related obligations. The acquisition cost of the vehicle was approximately \$43,700. (See Note 5.)

**10. Retirement Plan**

The Organization established a 401(k) retirement plan, effective January 1, 2015, for all eligible employees of the Organization. Under the provisions of the plan, employees may make voluntary contributions and the Organization may make discretionary matching contributions. The Organization did not make any matching contributions during the fifteen months ended March 31, 2016.