



**THE BREAST CANCER  
RESEARCH FOUNDATION, INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2012 and 2011**

## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
The Breast Cancer Research Foundation, Inc.  
New York, New York

We have audited the accompanying consolidated statements of financial position of The Breast Cancer Research Foundation, Inc. (the "Foundation") as of June 30, 2012 and 2011, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements enumerated above present fairly, in all material respects, the consolidated financial position of The Breast Cancer Research Foundation, Inc. as of June 30, 2012 and 2011, and the consolidated changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.



New York, New York  
October 24, 2012

**THE BREAST CANCER RESEARCH FOUNDATION, INC.**

**Consolidated Statements of Financial Position**

|  | <b>June 30,</b>      |                      |
|--|----------------------|----------------------|
|  | <b>2012</b>          | <b>2011</b>          |
| <b>ASSETS</b>                          |                      |                      |
| Cash                                   | \$ 29,282,270        | \$ 22,822,497        |
| Investments                            | 15,891,099           | 16,537,102           |
| Pledges receivable, net                | 14,808,864           | 9,675,999            |
| Prepaid expenses and other receivables | 96,068               | 91,200               |
| Donated building held for sale         |                      | 300,000              |
| Property and equipment, net            | 14,968               | 12,298               |
| Security deposit                       | 40,061               | 40,061               |
|  | <u>\$ 60,133,330</u> | <u>\$ 49,479,157</u> |
| <b>LIABILITIES</b>                     |                      |                      |
| Accounts payable and accrued expenses  | \$ 437,243           | \$ 596,301           |
| Grants payable                         | 40,029,601           | 36,673,271           |
|  | <u>40,466,844</u>    | <u>37,269,572</u>    |
| Commitments and contingencies (Note I) |                      |                      |
| <b>NET ASSETS</b>                      |                      |                      |
| Unrestricted:                          |                      |                      |
| Undesignated                           | 11,098,294           | 7,773,149            |
| Board-designated                       | 500,000              | 500,000              |
| Total unrestricted                     | 11,598,294           | 8,273,149            |
| Temporarily restricted                 | 7,768,192            | 3,636,436            |
| Permanently restricted                 | 300,000              | 300,000              |
|  | <u>19,666,486</u>    | <u>12,209,585</u>    |
|  | <u>\$ 60,133,330</u> | <u>\$ 49,479,157</u> |

# THE BREAST CANCER RESEARCH FOUNDATION, INC.

## Consolidated Statements of Activities

|   | Year Ended June 30, 2012 |                        |                        |               | Year Ended June 30, 2011 |                        |                        |               |
|---|--------------------------|------------------------|------------------------|---------------|--------------------------|------------------------|------------------------|---------------|
|   | Unrestricted             | Temporarily Restricted | Permanently Restricted | Total         | Unrestricted             | Temporarily Restricted | Permanently Restricted | Total         |
| <b>Public support and revenue:</b>  |                          |                        |                        |               |                          |                        |                        |               |
| Contributions   | \$ 38,178,684            | \$ 5,137,500           |                        | \$ 43,316,184 | \$ 32,991,493            | \$ 23,534              |                        | \$ 33,015,027 |
| Special events, net of direct benefit to contributors of \$1,211,272 and \$1,482,133 in 2012 and 2011, respectively | 9,425,236                |                        |                        | 9,425,236     | 7,964,199                |                        |                        | 7,964,199     |
| Total public support and revenue  | 47,603,920               | 5,137,500              |                        | 52,741,420    | 40,955,692               | 23,534                 |                        | 40,979,226    |
| <b>Expenses:</b>  |                          |                        |                        |               |                          |                        |                        |               |
| Program services  | 41,438,015               |                        |                        | 41,438,015    | 37,609,572               |                        |                        | 37,609,572    |
| Management and general  | 1,441,741                |                        |                        | 1,441,741     | 1,537,875                |                        |                        | 1,537,875     |
| Fund-raising  | 2,754,550                |                        |                        | 2,754,550     | 2,379,655                |                        |                        | 2,379,655     |
| Total expenses  | 45,634,306               |                        |                        | 45,634,306    | 41,527,102               |                        |                        | 41,527,102    |
| Excess (deficit) of public support and revenue over expenses  | 1,969,614                | 5,137,500              |                        | 7,107,114     | (571,410)                | 23,534                 |                        | (547,876)     |
| <b>Non-operating activities:</b>  |                          |                        |                        |               |                          |                        |                        |               |
| Investment income   | 74,562                   |                        |                        | 74,562        | 2,780,646                |                        |                        | 2,780,646     |
| Grant refunds   | 372,288                  |                        |                        | 372,288       |                          |                        |                        |               |
| Foreign currency (loss) gain  | (97,063)                 |                        |                        | (97,063)      | 62,630                   |                        |                        | 62,630        |
| Excess of support and revenue over expenses before net assets released from restrictions                            | 2,319,401                | 5,137,500              |                        | 7,456,901     | 2,271,866                | 23,534                 |                        | 2,295,400     |
| Net assets released from restrictions   | 1,005,744                | (1,005,744)            |                        | 0             | 824,178                  | (824,178)              |                        | 0             |
| <b>Change in net assets</b>   | 3,325,145                | 4,131,756              |                        | 7,456,901     | 3,096,044                | (800,644)              |                        | 2,295,400     |
| Net assets - beginning of year (as restated)  | 8,273,149                | 3,636,436              | \$ 300,000             | 12,209,585    | 5,177,105                | 4,437,080              | \$ 300,000             | 9,914,185     |
| <b>Net assets - end of year</b>   | \$ 11,598,294            | \$ 7,768,192           | \$ 300,000             | \$ 19,666,486 | \$ 8,273,149             | \$ 3,636,436           | \$ 300,000             | \$ 12,209,585 |

See notes to consolidated financial statements

**THE BREAST CANCER RESEARCH FOUNDATION, INC.**

**Consolidated Statement of Functional Expenses**

**Year Ended June 30, 2012**

(with summarized financial information from 2011)

|   | June 30,             |                     |                     |                                 |                                      |                           |                           |
|---|----------------------|---------------------|---------------------|---------------------------------|--------------------------------------|---------------------------|---------------------------|
|   | Program<br>Services  | Supporting Services |                     | Total<br>Supporting<br>Services | Direct<br>Benefit to<br>Contributors | 2012<br>Total<br>Expenses | 2011<br>Total<br>Expenses |
| Management<br>and General   |                      | Fund-raising        |                     |                                 |                                      |                           |                           |
| Grants awarded  | \$ 40,000,000        |                     |                     |                                 |                                      | \$ 40,000,000             | \$ 36,307,750             |
| Printing, postage and other costs<br>related to breast cancer awareness | 385,606              |                     |                     |                                 |                                      | 385,606                   | 287,417                   |
| Special events:   |                      |                     |                     |                                 |                                      |                           |                           |
| Contracted services   |                      |                     |                     |                                 | \$ 1,211,272                         | 1,211,272                 | 1,482,133                 |
| Other   |                      |                     | \$ 619,053          | \$ 619,053                      |                                      | 619,053                   | 572,329                   |
| Salaries and employee benefits  | 876,967              | \$ 614,944          | 1,631,864           | 2,246,808                       |                                      | 3,123,775                 | 2,817,397                 |
| Contracted services   | 96,379               |                     | 190,575             | 190,575                         |                                      | 286,954                   | 283,873                   |
| Professional fees   | 31,000               | 564,288             |                     | 595,288                         |                                      | 595,288                   | 722,656                   |
| Rent  | 47,187               | 81,593              | 97,322              | 178,915                         |                                      | 226,102                   | 204,136                   |
| Telephone   |                      | 24,104              | 24,103              | 48,207                          |                                      | 48,207                    | 46,094                    |
| Supplies  |                      | 29,230              |                     | 29,230                          |                                      | 29,230                    | 28,950                    |
| Office expenses   |                      | 116,712             | 189,825             | 306,537                         |                                      | 306,537                   | 244,787                   |
| Taxes and licenses  |                      | 9,354               |                     | 9,354                           |                                      | 9,354                     | 8,201                     |
| Total expenses before depreciation<br>and amortization                  | 41,437,139           | 1,440,225           | 2,752,742           | 4,192,967                       | 1,211,272                            | 46,841,378                | 43,005,723                |
| Depreciation and amortization   | 876                  | 1,516               | 1,808               | 3,324                           |                                      | 4,200                     | 3,512                     |
| <b>Total expenses</b>   | <b>41,438,015</b>    | <b>1,441,741</b>    | <b>2,754,550</b>    | <b>4,196,291</b>                | <b>1,211,272</b>                     | <b>46,845,578</b>         | <b>43,009,235</b>         |
| Less direct benefit to contributors                                     |                      |                     |                     |                                 | (1,211,272)                          | (1,211,272)               | (1,482,133)               |
| <b>Grand total</b>  | <b>\$ 41,438,015</b> | <b>\$ 1,441,741</b> | <b>\$ 2,754,550</b> | <b>\$ 4,196,291</b>             | <b>\$ 0</b>                          | <b>\$ 45,634,306</b>      | <b>\$ 41,527,102</b>      |

See notes to consolidated financial statements

**THE BREAST CANCER RESEARCH FOUNDATION, INC.**

**Consolidated Statement of Functional Expenses  
Year Ended June 30, 2011**

|   | <u>Supporting Services</u>  |                                   |                     | <u>Direct<br/>Benefit to<br/>Contributors</u> | <u>Total<br/>Expenses</u> |
|---|-----------------------------|-----------------------------------|---------------------|---|---------------------------|
|   | <u>Program<br/>Services</u> | <u>Management<br/>and General</u> | <u>Fund-raising</u> |   |                           |
| Grants awarded  | \$ 36,307,750               |                                   |                     |   | \$ 36,307,750             |
| Printing, postage and other costs<br>related to breast cancer awareness | 287,417                     |                                   |                     |   | 287,417                   |
| Special events:   |                             |                                   |                     |   |                           |
| Contracted services   |                             |                                   |                     | \$ 1,482,133                                  | 1,482,133                 |
| Other   |                             |                                   | \$ 572,329          | \$ 572,329                                    | 572,329                   |
| Salaries and employee benefits  | 843,332                     | \$ 566,046                        | 1,408,019           | 1,974,065                                     | 2,817,397                 |
| Contracted services   | 98,450                      |                                   | 185,423             | 185,423                                       | 283,873                   |
| Professional fees   | 30,000                      | 692,656                           |                     | 692,656                                       | 722,656                   |
| Rent  | 41,902                      | 71,984                            | 90,250              | 162,234                                       | 204,136                   |
| Telephone   |                             | 23,047                            | 23,047              | 46,094  | 46,094                    |
| Supplies  |                             | 28,950                            |                     | 28,950  | 28,950                    |
| Office expenses   |                             | 145,753                           | 99,034              | 244,787                                       | 244,787                   |
| Taxes and licenses  |                             | 8,201                             |                     | 8,201   | 8,201                     |
| Total expenses before depreciation<br>and amortization                  | 37,608,851                  | 1,536,637                         | 2,378,102           | 3,914,739                                     | 43,005,723                |
| Depreciation and amortization   | 721                         | 1,238                             | 1,553               | 2,791   | 3,512                     |
| <b>Total expenses</b>   | <b>37,609,572</b>           | <b>1,537,875</b>                  | <b>2,379,655</b>    | <b>3,917,530</b>                              | <b>43,009,235</b>         |
| Less direct benefit to contributors                                     |                             |                                   |                     | (1,482,133)                                   | (1,482,133)               |
| <b>Grand total</b>  | <b>\$ 37,609,572</b>        | <b>\$ 1,537,875</b>               | <b>\$ 2,379,655</b> | <b>\$ 3,917,530</b>                           | <b>\$ 41,527,102</b>      |

See notes to consolidated financial statements

**THE BREAST CANCER RESEARCH FOUNDATION, INC.**

**Consolidated Statements of Cash Flows**

|   | <b>Year Ended<br/>June 30,</b> |                             |
|---|--------------------------------|-----------------------------|
|   | <b>2012</b>                    | <b>2011</b>                 |
| <b>Cash flows from operating activities:</b>  |                                |                             |
| Change in net assets  | <b>\$ 7,456,901</b>            | \$ 2,295,400                |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                                |                             |
| Depreciation and amortization   | <b>4,200</b>                   | 3,512                       |
| Unrealized losses (gains) on investments  | <b>677,465</b>                 | (2,328,492)                 |
| Donated investments   | <b>(427,654)</b>               | (986,044)                   |
| Gain on sale of donated building  | <b>(40,000)</b>                |                             |
| Changes in:   |                                |                             |
| Pledges receivable, net   | <b>(5,132,865)</b>             | 1,069,986                   |
| Prepaid expenses and other receivables  | <b>(4,868)</b>                 | (29,920)                    |
| Accounts payable and accrued expenses   | <b>(159,058)</b>               | 479,137                     |
| Grants payable  | <b>3,356,330</b>               | 3,176,016                   |
| Non-cash contribution of donated building   |                                | <u>(300,000)</u>            |
| Net cash provided by operating activities   | <b><u>5,730,451</u></b>        | <u>3,379,595</u>            |
| <b>Cash flows from investing activities:</b>  |                                |                             |
| Proceeds from sales of investments  | <b>719,841</b>                 | 1,361,036                   |
| Proceeds from sale of donated building  | <b>340,000</b>                 |                             |
| Purchases of investments  | <b>(323,649)</b>               | (55,773)                    |
| Purchases of property and equipment   | <b>(6,870)</b>                 |                             |
| Net cash provided by investing activities   | <b><u>729,322</u></b>          | <u>1,305,263</u>            |
| <b>Net increase in cash</b>   | <b>6,459,773</b>               | 4,684,858                   |
| Cash - July 1   | <b><u>22,822,497</u></b>       | <u>18,137,639</u>           |
| <b>Cash - June 30</b>   | <b><u>\$ 29,282,270</u></b>    | <b><u>\$ 22,822,497</u></b> |

# THE BREAST CANCER RESEARCH FOUNDATION, INC.

## Notes to Consolidated Financial Statements June 30, 2012 and 2011

### NOTE A - THE FOUNDATION AND ITS SIGNIFICANT ACCOUNTING POLICIES

#### [1] The Foundation:

The Breast Cancer Research Foundation, Inc. (the "Foundation") is a New York not-for-profit organization, incorporated in 1993, the mission of which is to achieve prevention and cure for breast cancer in our lifetime, by providing critical funding for innovative clinical and translational research at leading medical centers worldwide and by increasing public awareness about good breast health. The Breast Cancer Research Foundation in Canada ("BCRF Canada") is an officially registered tax-exempt charity in Canada. As this entity meets the criteria for consolidation, its financial statements are consolidated with those of the Foundation. As BCRF Canada's assets and liabilities and its operations were not significant at June 30, 2012 and 2011 they are not shown separately in the accompanying consolidated financial statements.

The Foundation makes donations to fund breast cancer research at many internationally recognized, tax-exempt hospitals, medical centers, universities, and research organizations. Grant awards are based on proposals made by physicians, researchers, and other knowledgeable individuals as recommended by the Foundation's Medical Advisory Board to, and approved by, the Board of Directors.

The Foundation qualifies as a charitable organization as defined by Section 501(c)(3) of the Internal Revenue Code (the "Code") and, accordingly, is exempt from federal income taxes under Section 501(a) of the Code and from state and local income taxes under comparable laws. Additionally, since the Foundation is publicly supported, contributions to the Foundation qualify for the maximum charitable-contribution deduction under the Code.

#### [2] Financial reporting:

##### (a) Basis of accounting:

The accompanying consolidated financial statements of the Foundation have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit entities.

##### (b) Functional allocation of expenses:

The costs of providing the various programs and supporting services have been summarized on a functional basis in the accompanying consolidated statements of activities, using reasonable methods determined by management.

##### (c) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires the Foundation's management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of commitments and contingencies. Actual results could differ from those estimates.

##### (d) Net assets:

The net assets of the Foundation and changes therein are classified and reported as follows:

##### (i) *Unrestricted:*

Unrestricted net assets represent those resources that are not subject to donor-imposed restrictions. The Foundation's board-designated fund and board-designated endowment are unrestricted because there are no donor restrictions on the use of these resources. The income generated from this endowment is designated to provide annual grants to promising young researchers in the field of breast cancer.



# THE BREAST CANCER RESEARCH FOUNDATION, INC.

## Notes to Consolidated Financial Statements June 30, 2012 and 2011

### NOTE A - THE FOUNDATION AND ITS SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Net assets: (continued)

(ii) *Temporarily restricted:*

Temporarily restricted net assets represent those resources that are subject to the requirements of the New York Prudent Management of Institutional Funds Act ("NYPMIFA") and the use of which has been restricted by donors to specific purposes and/or the passage of time. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, or funds are appropriated through an action of the Board of Directors, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the accompanying consolidated statements of activities as net assets released from restrictions. Temporarily restricted contributions received for which restrictions are met in the same fiscal period are recorded as unrestricted in the accompanying consolidated statements of activities.

(iii) *Permanently restricted:*

Permanently restricted net assets represent those resources the use of which has been permanently restricted by a donor, with the income earned therefrom available for annual research awards.

#### **[3] Endowment:**

NYPMIFA principally addresses (i) the management and investment of all of a not-for-profit entity's "institutional funds" (which are mainly the financial assets of the entity and which exclude programmatic assets such as buildings or operating facilities), and (ii) the appropriation by the governing board of earnings derived from donor-restricted endowment funds. In essence, NYPMIFA requires all of the financial resources of the entity to be used in a "prudent" fashion, with the excess approval and action of the governing board.

The Foundation adheres to the provisions of NYPMIFA, as well as to those of the Financial Accounting Standards Board's Accounting Standards Codification ("ASC") Topic 958, which provides guidance on the net asset classification of board-designated and donor-restricted endowment funds for a not-for-profit organization (see Note H).

#### **[4] Investments:**

The Foundation's investments in a private mutual fund are reported at the fair value in the accompanying consolidated statements of financial position.

Donated securities are initially recorded at their fair values on the dates of gift. Interest and dividend income, as well as realized and unrealized appreciation or depreciation in investment value, is recognized as unrestricted, or temporarily restricted, in accordance with donor intent.

#### **[5] Contributions, gifts and pledges:**

Contributions, including promises to give, are recognized as revenue when received or pledged unconditionally at fair value. Contributions received with donor stipulations that limit the use of the donated assets are reported as temporarily restricted support. When a donor restriction is satisfied, that is, when a time restriction ends or a purpose restriction is fulfilled or the Board acts to appropriate the assets, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying consolidated statements of activities as net assets released from restrictions.

## THE BREAST CANCER RESEARCH FOUNDATION, INC.

### Notes to Consolidated Financial Statements June 30, 2012 and 2011

#### NOTE A - THE FOUNDATION AND ITS SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### [6] Property and equipment:

Property and equipment are stated at their costs at the dates of acquisition or at their fair values on the dates of the gifts, less accumulated depreciation and amortization. Depreciation of property and equipment is provided over the estimated useful life of five years using the straight-line method. Leasehold improvements are amortized over the remaining lease term or the estimated life of the improvements, whichever is shorter. Minor costs of repairs and maintenance are expensed as incurred.

##### [7] Grants payable:

The Foundation records appropriations for research grants as a liability and expense after approval by the Board of Directors, based upon the guidance and input of the Scientific Advisory Board and availability of funding. Grants are generally paid within one year. At June 30, 2012 and 2011, there were no multi-year grants.

##### [8] Deferred rent payable:

The Foundation expenses rent on a straight-line basis over the term of the lease for its office space. The excess of rent expense over amounts actually paid, or currently payable, to the landlord is included in accounts payable and accrued expenses in the accompanying consolidated statements of financial position.

##### [9] Income tax uncertainties:

The Foundation is subject to the provisions of ASC Topic 740-10-05, relating to accounting and reporting for uncertainty in income taxes. Because of the Foundation's general tax-exempt status, ASC Topic 740-10-05 has not had, and is not expected to have, a material impact on the Foundation's consolidated financial statements.

##### [10] Fair-value measurement:

The Foundation reports a fair-value measurement of all applicable financial assets and liabilities, including investments, pledges and other receivables and short-term payables.

##### [11] Prior year's financial information:

To account appropriately for the pledge of a donor, the Foundation decreased its net assets as of July 1, 2010 by \$350,000 as well as reduced contribution revenue by \$50,000 during fiscal-year 2011. The restatement resulted in a decrease of net assets of \$400,000 at June 30, 2011.

##### [12] Subsequent events:

The Foundation considers all accounting treatments, and the related disclosures in the current fiscal-year's financial statements, that may be required as the result of all events or transactions that occur after the fiscal year-end through the date of the independent auditors' report.

#### NOTE B - INVESTMENTS

The Foundation's investments at June 30, 2012 and 2011, reflected at fair value, consist of approximately \$15,891,000 and \$16,537,000, respectively, invested in a private mutual fund, The Investment Fund for the Foundations ("TIFF"). TIFF is overseen by a management investment company and is a program of commingled funds open to investments exclusively by not-for-profit organizations.

# THE BREAST CANCER RESEARCH FOUNDATION, INC.

## Notes to Consolidated Financial Statements June 30, 2012 and 2011

### NOTE B - INVESTMENTS (CONTINUED)

During each fiscal-year, investment returns consisted of the following:

|                           | Year Ended<br>June 30, |                     |
|---------------------------|------------------------|---------------------|
|                           | 2012                   | 2011                |
| Dividends and interest    | \$ 752,027             | \$ 452,154          |
| Unrealized (losses) gains | (677,465)              | 2,328,492           |
|                           | <u>\$ 74,562</u>       | <u>\$ 2,780,646</u> |

ASC Topic 820-10-05 establishes a three-level valuation hierarchy of fair-value measurements. These valuation techniques are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of inputs create the following fair-value hierarchy:

- Level 1: Valuations are based on observable inputs that reflect quoted market prices in active markets for the same or identical assets and liabilities at the reporting date.
- Level 2: Valuations are based on (i) quoted prices for similar assets or liabilities in active markets, or (ii) quoted prices for identical or similar assets or liabilities in markets that are not active, or (iii) pricing inputs other than quoted prices that are directly or indirectly observable at the reporting date. Level 2 assets include those securities that are redeemable at or near the balance sheet date and for which a model was derived for valuation.
- Level 3: Fair value is determined based on pricing inputs that are unobservable and includes situations where (i) there is little, if any, market activity for the asset or liability, or (ii) the underlying investments of which cannot be independently valued, or (iii) they cannot be immediately redeemed at or near the fiscal year-end.

The Foundation's investments in TIFP consist of units in investment funds as opposed to direct interests in the funds' underlying holdings, which may be marketable. Because the net-asset value reported by the funds is used as a practical expedient to estimate fair value of the Foundation's interest therein, its classification in Level 2 is based on the Foundation's ability to redeem its interest at or near year-end. The classification of the investment in the fair-value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of the investments' underlying assets and liabilities.

# THE BREAST CANCER RESEARCH FOUNDATION, INC.

## Notes to Consolidated Financial Statements June 30, 2012 and 2011

### NOTE C - PLEDGES RECEIVABLE

At each fiscal-year-end, uncollected pledges of contributions made to the Foundation are estimated to be received as follows:

|  | <u>June 30,</u>      |                     |
|--|----------------------|---------------------|
|  | <u>2012</u>          | <u>2011</u>         |
| Less than one year   | \$ 8,657,147         | \$ 6,623,464        |
| Two to five years  | 6,335,417            | 3,190,416           |
| Six to nine years  | <u>650,000</u>       | <u>750,000</u>      |
|  | 15,642,564           | 10,563,880          |
| Reduction of pledges due in excess of one year to present value, using discount rates ranging from 0.32% - 5.20% | <u>(833,700)</u>     | <u>(887,881)</u>    |
|  | <u>\$ 14,808,864</u> | <u>\$ 9,675,999</u> |

The Foundation periodically assesses the collectability of its contributions and receivables and provides allowances for anticipated losses, if any, when necessary.

### NOTE D - PROPERTY AND EQUIPMENT

At each fiscal-year-end, property and equipment consisted of the following:

|                               | <u>June 30,</u>  |                  |
|-------------------------------|------------------|------------------|
|                               | <u>2012</u>      | <u>2011</u>      |
| Leasehold improvements        | \$ 127,008       | \$ 127,008       |
| Furniture and equipment       | <u>81,379</u>    | <u>74,509</u>    |
|                               | 208,387          | 201,517          |
| Less accumulated depreciation | <u>(193,419)</u> | <u>(189,219)</u> |
|                               | <u>\$ 14,968</u> | <u>\$ 12,298</u> |

During fiscal-year 2011, the Foundation wrote-off fully depreciated property and equipment of \$77,237.

### NOTE E - TEMPORARILY RESTRICTED NET ASSETS

At each fiscal year-end, temporarily restricted net assets consisted of the following:

|                                | <u>June 30,</u>    |                    |
|--------------------------------|--------------------|--------------------|
|                                | <u>2012</u>        | <u>2011</u>        |
| Restricted for future periods: |                    |                    |
| Founder's Fund (Note F)        | \$4,937,500        |                    |
| Research grants                | <u>2,830,692</u>   | <u>\$3,636,436</u> |
|                                | <u>\$7,768,192</u> | <u>\$3,636,436</u> |

During fiscal-years 2012 and 2011, net assets of approximately \$1,006,000 and \$824,000, respectively, were released from donor restrictions for research grants.

## THE BREAST CANCER RESEARCH FOUNDATION, INC.

### Notes to Consolidated Financial Statements June 30, 2012 and 2011

#### NOTE F - FOUNDER'S FUND CONTRIBUTIONS

Mrs. Evelyn H. Lauder, Founder and Chairman of The Breast Cancer Research Foundation, passed away in November 2011. To honor Mrs. Lauder's devotion to the Foundation and her achievements towards its cause, the Board of Directors created a board-designated fund, the "Founders Fund" (the "Fund"), to accept contributions in Mrs. Lauder's memory. Gifts totaling approximately \$8,026,000, of which approximately \$4,938,000 are pledges to be received in future years, have been received through June 30, 2012. The Board of Directors, along with a panel of scientific advisors, has begun work on proposals for a meaningful use of the Fund.

#### NOTE G - DONATED GOODS AND SERVICES

##### [1] Media placement:

The Foundation receives in-kind contributions in the form of contributed public service announcements ("PSAs"). Such PSAs, with an estimated value of approximately \$6,190,000 and \$5,498,000 for fiscal-years 2012 and 2011, respectively, do not meet the criteria for revenue recognition established by ASC Topic 958-605-25-16 and, accordingly, have not been reported in the accompanying consolidated financial statements.

##### [2] Air miles:

The Foundation receives in-kind contributions in the form of contributed air miles in connection with its SkyWish Charity Program. These donated air miles have not been valued, as they do not have a determinable fair value or definite period for usage, and accordingly, they have not been reported in the accompanying consolidated financial statements.

##### [3] Contributed services:

Contributed services are valued at their estimated fair values. The accompanying consolidated statements of activities include, as both revenue and expense, contributed legal services of approximately \$164,000 and \$414,000, respectively, and the services of the Foundation's Scientific Advisory Committee of approximately \$31,000 and \$30,000 in fiscal-years 2012 and 2011, respectively.

Additionally, a substantial number of Board members and volunteers have donated significant amounts of their time in support through fund-raising and participation in global events in furtherance of the Foundation's mission. However, the value of this donated volunteer time is not reflected in the accompanying consolidated financial statements as it does not meet the criteria for recognition under generally accepted accounting principles.

##### [4] Donated goods:

Donated goods consist of items received by the Foundation and given away during fund-raising events. These amounts are recorded as both revenue and expense at their estimated fair value at the dates of receipt. (Note K)

##### [5] Donated building held for sale:

In fiscal-year 2011, a Missouri office building, with an estimated fair value of \$300,000, was donated to the Foundation. The building was sold in fiscal-year 2012 for \$340,000.

#### NOTE H - THE ENDOWMENT

##### [1] The endowment:

The Foundation's endowment consists of a donor-restricted fund and a fund designated by the Board of Directors to function as endowment. As required by generally accepted accounting principles, net assets associated with endowment funds, including board-designated funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

**THE BREAST CANCER RESEARCH FOUNDATION, INC.**

**Notes to Consolidated Financial Statements  
June 30, 2012 and 2011**

**NOTE H - THE ENDOWMENT (CONTINUED)**

**[2] Interpretation of relevant law:**

The Board of Directors will continue to adhere to NYPMIFA's requirements relating to the Foundation's endowment funds.

**[3] Endowment net-asset composition by type for fiscal-years 2012 and 2011:**

|   | <u>Board-<br/>Designated</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>      |
|---|------------------------------|-----------------------------------|-------------------|
| Board-designated endowment fund                     | \$ 500,000                   |                                   | \$ 500,000        |
| Donor-restricted endowment fund:<br>Research grants | _____                        | \$ 300,000                        | 300,000           |
|   | <u>\$ 500,000</u>            | <u>\$ 300,000</u>                 | <u>\$ 800,000</u> |

**[4] Changes in endowment net assets during each fiscal year:**

|  | <u>June 30, 2012</u>         |                                   |                                   |                   |
|--|------------------------------|-----------------------------------|-----------------------------------|-------------------|
|  | <u>Board-<br/>Designated</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>      |
| Endowment net assets and the earnings thereon, beginning of year | <u>\$ 500,000</u>            |                                   | <u>\$ 300,000</u>                 | <u>\$ 800,000</u> |
| Investment return:   |                              |                                   |                                   |                   |
| Investment income  |                              | \$ 13,116                         |                                   | 13,116            |
| Net depreciation   |                              | <u>(11,571)</u>                   |                                   | <u>(11,571)</u>   |
| Total investment return  |                              | <u>1,545</u>                      |                                   | <u>1,545</u>      |
| Appropriation of endowment assets for expenditure                | _____                        | <u>(1,545)</u>                    | _____                             | <u>(1,545)</u>    |
| Endowment net assets and the earnings thereon, end of year       | <u>\$ 500,000</u>            | <u>\$ 0</u>                       | <u>\$ 300,000</u>                 | <u>\$ 800,000</u> |
|  | <u>June 30, 2011</u>         |                                   |                                   |                   |
|  | <u>Board-<br/>Designated</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>      |
| Endowment net assets and the earnings thereon, beginning of year | <u>\$ 500,000</u>            |                                   | <u>\$ 300,000</u>                 | <u>\$ 800,000</u> |
| Investment return:   |                              |                                   |                                   |                   |
| Investment income  |                              | \$ 7,118                          |                                   | 7,118             |
| Net appreciation   |                              | <u>34,341</u>                     |                                   | <u>34,341</u>     |
| Total investment return  |                              | <u>41,459</u>                     |                                   | <u>41,459</u>     |
| Appropriation of endowment assets for expenditure                | _____                        | <u>(41,459)</u>                   | _____                             | <u>(41,459)</u>   |
| Endowment net assets and the earnings thereon, end of year       | <u>\$ 500,000</u>            | <u>\$ 0</u>                       | <u>\$ 300,000</u>                 | <u>\$ 800,000</u> |

# THE BREAST CANCER RESEARCH FOUNDATION, INC.

## Notes to Consolidated Financial Statements June 30, 2012 and 2011

### NOTE H - THE ENDOWMENT (CONTINUED)

#### [5] Funds with deficiencies:

Due to unfavorable market fluctuations, from time to time the fair value of assets associated with individual donor-restricted endowment funds may decline below the historic dollar value of the donor's original, permanently restricted contribution. Under the terms of NYPMIFA, the Foundation has no responsibility to restore such decreases in value.

### NOTE I - COMMITMENTS AND CONTINGENCIES

#### [1] Lease obligations:

The Foundation leases office space under a non-cancelable operating lease agreement that terminates in fiscal-year 2015. Future minimum lease payments relating to this operating lease are approximately as follows:

| <u>Year Ending<br/>June 30,</u> | <u>Amount</u>     |
|---------------------------------|-------------------|
| 2013                            | \$ 173,000        |
| 2014                            | 173,000           |
| 2015                            | <u>87,000</u>     |
|                                 | <u>\$ 433,000</u> |

Rent expense was approximately \$226,000 and \$204,000 in fiscal-years 2012 and 2011, respectively. In October 2012, the Foundation renegotiated its existing lease to extend its rental period as well as to lease additional office space in the same building. The renegotiated non-cancelable operating lease terminates on December 31, 2022. The future minimum rent under the new lease totals \$2,899,000.

#### [2] Employment agreement:

The Foundation is obligated under an employment agreement with its President. The agreement is automatically extended on an annual basis, unless either party provides 90 days' of prior written notice of the intention not to do so.

### NOTE J - EMPLOYEE- BENEFIT PLAN

The Foundation participates in a multiple-employer retirement plan, formed under Section 413(c) of the Internal Revenue Code, which covers all eligible employees. The Foundation's contribution to the plan for fiscal-years 2012 and 2011 was approximately \$112,000 and \$126,000, respectively.

### NOTE K - RELATED-PARTY TRANSACTIONS

Several directors of the Foundation are executives of a corporation that donated a portion of its sales revenue and held various fund-raising events for the benefit of the Foundation. For fiscal-years 2012 and 2011, the Foundation recognized contribution revenue from the corporation of approximately \$2,411,000 and \$3,348,000, respectively. During fiscal-years 2012 and 2011, certain executives of this corporation made personal contributions to the Foundation of approximately \$729,000 and \$490,000, respectively. Additionally, the corporation donated items given away during the Foundation's fund-raising events of approximately \$47,000 and \$71,000 during fiscal-years 2012 and 2011, respectively.

## **THE BREAST CANCER RESEARCH FOUNDATION, INC.**

### **Notes to Consolidated Financial Statements June 30, 2012 and 2011**

#### **NOTE K - RELATED-PARTY TRANSACTIONS (CONTINUED)**

The Foundation reimburses this corporation to cover certain operating expenses paid on its behalf. These reimbursements to the corporation are for payroll and benefits for the Foundation's staff who exclusively conduct the Foundation's activities, as well as reimbursement for information services and other administrative services provided at cost during the fiscal-year. For fiscal-years 2012 and 2011, these reimbursements approximated \$3,296,000 and \$2,856,000, respectively, of which approximately \$3,089,000 and \$2,740,000, respectively, was for payroll and benefit reimbursement. At June 30, 2012 and 2011, the total amount advanced to the corporation was approximately \$53,000 and \$43,000, respectively, and is reported as cash held by a related party in the accompanying consolidated statements of financial position.

#### **NOTE L - MAJOR CONTRIBUTORS**

Other than the contributions received from related parties, as discussed in Note K, the Foundation received approximately \$14,309,000 and \$11,780,000 from seven organizations during fiscal-years 2012 and 2011, respectively.

#### **NOTE M - CONCENTRATION OF CREDIT RISK**

The Foundation maintains its cash in bank deposit accounts in amounts which, at times, may exceed federally insured limits, and its investments are held in a mutual fund. Management believes it is not exposed to any significant risk of loss due to the failure of the financial custodians.