



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

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2013 and 2012

INDEPENDENT AUDITORS' REPORT

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The Breast Cancer Research Foundation, Inc. (the "Foundation") which comprise the consolidated statements of financial position as of June 30, 2013 and 2012, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

The Foundation's 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal 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 organization'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 consolidated financial position of The Breast Cancer Research Foundation, Inc. as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.



New York, New York
September 11, 2013

THE BREAST CANCER RESEARCH FOUNDATION, INC.

Consolidated Statements of Financial Position

	June 30,	
	2013	2012
ASSETS		
Cash and cash equivalents	\$ 45,667,693	\$ 29,229,569
Investments	28,164,362	15,891,099
Pledges receivable, net	12,391,460	14,808,864
Prepaid expenses and other receivables	383,955	148,769
Property and equipment, net	129,625	14,968
Security deposit	40,061	40,061
	<u>\$ 86,777,156</u>	<u>\$ 60,133,330</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 453,030	\$ 437,243
Grants payable	50,000,000	40,029,601
	<u>50,453,030</u>	<u>40,466,844</u>
Commitments and contingencies (Note I)		
NET ASSETS		
Unrestricted:		
Undesignated	10,944,320	8,507,505
Board-designated: Founder's Fund	18,426,791	3,065,539
Total unrestricted	<u>29,371,111</u>	<u>11,573,044</u>
Temporarily restricted:		
Research grants	2,853,015	2,830,692
Founder's Fund	3,800,000	4,962,750
	<u>6,653,015</u>	<u>7,793,442</u>
Permanently restricted	<u>300,000</u>	<u>300,000</u>
	<u>36,324,126</u>	<u>19,666,486</u>
	<u>\$ 86,777,156</u>	<u>\$ 60,133,330</u>

THE BREAST CANCER RESEARCH FOUNDATION, INC.

Consolidated Statement of Activities

Year Ended June 30, 2013

(with summarized financial information from 2012)

	Year Ended June 30, 2013								
	Unrestricted			Temporarily Restricted				2013 Total	2012 Total
	Undesignated	Founder's Fund	Total Unrestricted	Research Grants	Founder's Fund	Total Temporarily Restricted	Permanently Restricted		
Public support and revenue:									
Contributions	\$ 40,565,195	\$ 19,180,865	\$ 59,746,060	\$ 493,806		\$ 493,806		\$ 60,239,866	\$ 43,316,184
Special events, net of direct benefit to contributors of \$1,341,254 and \$1,211,272 in 2013 and 2012, respectively	<u>11,383,216</u>		<u>11,383,216</u>					<u>11,383,216</u>	<u>9,425,236</u>
Total public support and revenue	<u>51,948,411</u>	<u>19,180,865</u>	<u>71,129,276</u>	<u>493,806</u>		<u>493,806</u>		<u>71,623,082</u>	<u>52,741,420</u>
Expenses:									
Program services	46,751,310	5,000,000	51,751,310					51,751,310	41,438,015
Management and general	1,756,020		1,756,020					1,756,020	1,441,741
Fund-raising	<u>3,557,293</u>		<u>3,557,293</u>					<u>3,557,293</u>	<u>2,754,550</u>
Total expenses	<u>52,064,623</u>	<u>5,000,000</u>	<u>57,064,623</u>					<u>57,064,623</u>	<u>45,634,306</u>
(Deficiency) excess of public support and revenue over expenses	(116,212)	14,180,865	14,064,653	493,806		493,806		14,558,459	7,107,114
Non-operating activities:									
Investment income	1,893,700	17,637	1,911,337					1,911,337	74,562
Grant refunds	203,311		203,311					203,311	372,288
Foreign currency losses	<u>(15,467)</u>		<u>(15,467)</u>					<u>(15,467)</u>	<u>(97,063)</u>
Excess of support and revenue over expenses before net assets released from restrictions	1,965,332	14,198,502	16,163,834	493,806		493,806		16,657,640	7,456,901
Net assets released from restrictions	<u>471,483</u>	<u>1,162,750</u>	<u>1,634,233</u>	<u>(471,483)</u>	<u>\$ (1,162,750)</u>	<u>(1,634,233)</u>		<u>0</u>	<u>0</u>
Change in net assets	2,436,815	15,361,252	17,798,067	22,323	(1,162,750)	(1,140,427)		16,657,640	7,456,901
Net assets - beginning of year	<u>8,507,505</u>	<u>3,065,539</u>	<u>11,573,044</u>	<u>2,830,692</u>	<u>4,962,750</u>	<u>7,793,442</u>	<u>\$ 300,000</u>	<u>19,666,486</u>	<u>12,209,585</u>
Net assets - end of year	<u>\$ 10,944,320</u>	<u>\$ 18,426,791</u>	<u>\$ 29,371,111</u>	<u>\$ 2,853,015</u>	<u>\$ 3,800,000</u>	<u>\$ 6,653,015</u>	<u>\$ 300,000</u>	<u>\$ 36,324,126</u>	<u>\$ 19,666,486</u>

See notes to consolidated financial statements

THE BREAST CANCER RESEARCH FOUNDATION, INC.

**Consolidated Statement of Activities
Year Ended June 30, 2012**

	Unrestricted			Temporarily Restricted				Total
	Undesignated	Founder's Fund	Total Unrestricted	Research Grants	Founder's Fund	Total Temporarily Restricted	Permanently Restricted	
Public support and revenue:								
Contributions	\$ 35,289,682	\$ 3,063,752	\$ 38,353,434		\$ 4,962,750	\$ 4,962,750		\$ 43,316,184
Special events, net of direct benefit to contributors of \$1,211,272 in 2012	<u>9,425,236</u>		<u>9,425,236</u>					<u>9,425,236</u>
Total public support and revenue	<u>44,714,918</u>	<u>3,063,752</u>	<u>47,778,670</u>		<u>4,962,750</u>	<u>4,962,750</u>		<u>52,741,420</u>
Expenses:								
Program services	41,438,015		41,438,015					41,438,015
Management and general	1,441,741		1,441,741					1,441,741
Fund-raising	<u>2,754,550</u>		<u>2,754,550</u>					<u>2,754,550</u>
Total expenses	<u>45,634,306</u>		<u>45,634,306</u>					<u>45,634,306</u>
(Deficiency) excess of public support and revenue over expenses	(919,388)	3,063,752	2,144,364		4,962,750	4,962,750		7,107,114
Non-operating activities:								
Investment income	72,775	1,787	74,562					74,562
Grant refunds	372,288		372,288					372,288
Foreign currency losses	<u>(97,063)</u>		<u>(97,063)</u>					<u>(97,063)</u>
(Deficiency) excess of support and revenue over expenses before net assets released from restrictions	(571,388)	3,065,539	2,494,151		4,962,750	4,962,750		7,456,901
Net assets released from restrictions	<u>805,744</u>		<u>805,744</u>	\$ (805,744)		(805,744)		<u>0</u>
Change in net assets	234,356	3,065,539	3,299,895	(805,744)	4,962,750	4,157,006		7,456,901
Net assets - beginning of year	<u>8,273,149</u>	<u>0</u>	<u>8,273,149</u>	<u>3,636,436</u>	<u>0</u>	<u>3,636,436</u>	\$ <u>300,000</u>	<u>12,209,585</u>
Net assets - end of year	<u>\$ 8,507,505</u>	<u>\$ 3,065,539</u>	<u>\$ 11,573,044</u>	<u>\$ 2,830,692</u>	<u>\$ 4,962,750</u>	<u>\$ 7,793,442</u>	<u>\$ 300,000</u>	<u>\$ 19,666,486</u>

THE BREAST CANCER RESEARCH FOUNDATION, INC.

Consolidated Statement of Functional Expenses

Year Ended June 30, 2013

(with summarized financial information from 2012)

	June 30, 2013						
	Supporting Services						
	Program Services	Management and General	Fund-raising	Total Supporting Services	Direct Benefit to Contributors	Total Expenses	2012 Total Expenses
Grants awarded	\$ 45,000,000					\$ 45,000,000	\$ 40,000,000
Founder's Fund grants awarded	5,000,000					5,000,000	
Special events:							
Contracted services					\$ 1,341,254	1,341,254	1,211,272
Other			\$ 1,099,341	\$ 1,099,341		1,099,341	619,053
Salaries and employee benefits	1,164,023	\$ 807,067	2,013,959	2,821,026		3,985,049	3,123,775
Contracted services	170,675		140,645	140,645		311,320	327,968
Conferences and meetings	298,568					298,568	291,870
Professional fees		514,954		514,954		514,954	595,288
Rent	68,160	121,448	132,601	254,049		322,209	226,102
Telephone		21,434	21,434	42,868		42,868	48,207
Supplies		42,460		42,460		42,460	29,230
Printing, postage and office expenses	47,034	238,733	143,770	382,503		429,537	359,259
Taxes and licenses		4,846		4,846		4,846	9,354
Total expenses before depreciation and amortization	51,748,460	1,750,942	3,551,750	5,302,692	1,341,254	58,392,406	46,841,378
Depreciation and amortization	2,850	5,078	5,543	10,621		13,471	4,200
Total expenses	51,751,310	1,756,020	3,557,293	5,313,313	1,341,254	58,405,877	46,845,578
Less direct benefit to contributors					(1,341,254)	(1,341,254)	(1,211,272)
Grand total	\$ 51,751,310	\$ 1,756,020	\$ 3,557,293	\$ 5,313,313	\$ 0	\$ 57,064,623	\$ 45,634,306

THE BREAST CANCER RESEARCH FOUNDATION, INC.

**Consolidated Statement of Functional Expenses
Year Ended June 30, 2012**

	<u>Supporting Services</u>			<u>Direct Benefit to Contributors</u>	<u>Total Expenses</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fund-raising</u>		
Grants awarded	\$ 40,000,000				\$ 40,000,000
Special events:					
Contracted services				\$ 1,211,272	1,211,272
Other			\$ 619,053	\$ 619,053	619,053
Salaries and employee benefits	876,967	\$ 614,944	1,631,864	2,246,808	3,123,775
Contracted services	137,393		190,575	190,575	327,968
Conferences and meetings	291,870				291,870
Professional fees	31,000	564,288		564,288	595,288
Rent	47,187	81,593	97,322	178,915	226,102
Telephone		24,104	24,103	48,207	48,207
Supplies		29,230		29,230	29,230
Printing, postage and office expenses	52,722	116,712	189,825	306,537	359,259
Taxes and licenses		9,354		9,354	9,354
Total expenses before depreciation and amortization	41,437,139	1,440,225	2,752,742	4,192,967	46,841,378
Depreciation and amortization	876	1,516	1,808	3,324	4,200
Total expenses	41,438,015	1,441,741	2,754,550	4,196,291	46,845,578
Less direct benefit to contributors				(1,211,272)	(1,211,272)
Grand total	<u>\$ 41,438,015</u>	<u>\$ 1,441,741</u>	<u>\$ 2,754,550</u>	<u>\$ 4,196,291</u>	<u>\$ 45,634,306</u>

See notes to consolidated financial statements

THE BREAST CANCER RESEARCH FOUNDATION, INC.

Consolidated Statements of Cash Flows

	Year Ended June 30,	
	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Change in net assets	\$ 16,657,640	\$ 7,456,901
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	13,471	4,200
Unrealized (gains) losses on investments	(1,632,206)	677,465
Realized losses on investments	3,694	
Donated investments	(38,081)	(427,654)
Gain on sale of donated building		(40,000)
Changes in:		
Pledges receivable, net	2,417,404	(5,132,865)
Prepaid expenses and other receivables	(235,186)	(23,628)
Accounts payable and accrued expenses	15,787	(159,058)
Grants payable	<u>9,970,399</u>	<u>3,356,330</u>
Net cash provided by operating activities	<u>27,172,922</u>	<u>5,711,691</u>
Cash flows from investing activities:		
Proceeds from sales of investments	1,893,330	719,841
Proceeds from sale of donated building		340,000
Purchases of investments	(12,500,000)	(323,649)
Purchases of property and equipment	<u>(128,128)</u>	<u>(6,870)</u>
Net cash (used in) provided by investing activities	<u>(10,734,798)</u>	<u>729,322</u>
Net increase in cash and cash equivalents	16,438,124	6,441,013
Cash and cash equivalents - July 1	<u>29,229,569</u>	<u>22,788,556</u>
Cash and cash equivalents - June 30	<u>\$ 45,667,693</u>	<u>\$ 29,229,569</u>

THE BREAST CANCER RESEARCH FOUNDATION, INC.

Notes to Consolidated Financial Statements June 30, 2013 and 2012

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, 2013 and 2012, 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 Scientific 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 organizations.

(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.

[3] Cash and cash equivalents:

The Foundation considers all highly liquid investments, with maturities of three months or less when purchased, to be cash equivalents for financial statement reporting purposes, except for cash held as part of the Foundation's investment portfolio.

The Foundation maintains a large balance of cash and highly liquid investments in recognition of the fact that a high percentage of these assets have already been committed to future research payments.

THE BREAST CANCER RESEARCH FOUNDATION, INC.

Notes to Consolidated Financial Statements June 30, 2013 and 2012

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

[4] Investments:

The Foundation's investments in corporate bonds are stated at their fair values, and its investments in mutual funds (which consist of multi-assets and fixed-income securities) are also reported at their fair values, as determined by the related investment managers. 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.

Realized and unrealized gains and losses are determined by a comparison of specific costs of investments at acquisition to the proceeds at the time of disposal, or to their fair values at fiscal year-end, and are reported in the accompanying consolidated statements of activities.

[5] Contributions, gifts and pledges:

Contributions to the Foundation are recognized as revenue upon the receipt of cash, unconditional pledges or other assets. Contributions are considered available for unrestricted use, unless the donors restrict the use thereof, either on a temporary or permanent basis. Contributions of assets other than cash are recorded at their estimated fair values at the dates of donation. Contributions to be received after one year are discounted at an appropriate interest rate commensurate with the risk involved. Contribution revenue is recognized based on the present value of the estimated future payments to be made to the Foundation.

[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 the availability of funding. Grants are generally paid within one year. At June 30, 2013 and 2012, there were no multi-year grants outstanding.

[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.

THE BREAST CANCER RESEARCH FOUNDATION, INC.

Notes to Consolidated Financial Statements June 30, 2013 and 2012

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

[9] Net assets:

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

(i) *Unrestricted:*

Unrestricted net assets, including the amounts received for the Founder's Fund (Note F), represent those resources that are not subject to donor-imposed restrictions.

(ii) *Temporarily restricted:*

Temporarily restricted net assets represent those resources 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, but 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.

[10] Income tax uncertainties:

The Foundation follows the provisions of the Financial Accounting Standards Board's Accounting Standards Codification ("ASC") Topic 740-10-05 relating to the accounting and reporting for uncertainty in income taxes. However, due to 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.

[11] Fair-value measurement:

As further described in Note B, the Foundation reports a fair-value measurement of all applicable financial assets and liabilities, including investments, pledges, other receivables, grants payable and short-term payables.

[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.

[13] Reclassification:

Certain amounts in the accompanying fiscal-year 2012 consolidated financial statements have been reclassified to conform to the fiscal-year 2013 presentation.

THE BREAST CANCER RESEARCH FOUNDATION, INC.

Notes to Consolidated Financial Statements June 30, 2013 and 2012

NOTE B - INVESTMENTS

At each fiscal year-end, investments consisted of the following:

	June 30,			
	2013		2012	
	Fair Value	Cost	Fair Value	Cost
Cash and cash equivalents	\$ 226,346	\$ 226,346		
Corporate bonds	5,780,423	5,830,161		
Mutual funds:				
Multi-asset	15,863,085	14,234,920	\$ 15,891,099	\$ 15,314,867
Fixed income	<u>6,294,508</u>	<u>6,357,115</u>		
	<u>\$ 28,164,362</u>	<u>\$ 26,648,542</u>	<u>\$ 15,891,099</u>	<u>\$ 15,314,867</u>

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

	Year Ended June 30,	
	2013	2012
	Interest and dividends	\$ 282,825
Realized losses	(3,694)	
Unrealized gains (losses)	<u>1,632,206</u>	<u>(677,465)</u>
	<u>\$ 1,911,337</u>	<u>\$ 74,562</u>

ASC Topic 820-10-05 establishes a three-level valuation hierarchy of fair-value measurements. These valuation techniques are based on 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 those investments, or similar investments, at the reporting date.
- Level 2: Valuations are based on (i) quoted prices for those investments, or similar investments, in active markets, or (ii) quoted prices for those investments, or similar investments, 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 investments that are redeemable at or near the balance sheet date and for which a model was derived for valuation.
- Level 3: Valuations are based on pricing inputs that are unobservable and include situations where (i) there is little, if any, market activity for the investments, or (ii) the investments cannot be independently valued or (iii) the investments cannot be immediately redeemed at or near the fiscal year-end.

Most of the Foundation's investments classified as Level 2 consist of units in investment funds, as opposed to direct interests in the funds' underlying holdings, which may be marketable. Because the net-asset values reported by the funds are used as a practical expedient to estimate the fair value of the Foundation's interests therein, their 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, 2013 and 2012

NOTE B - INVESTMENTS (CONTINUED)

The following table summarizes the fair values of the Foundation's assets at June 30, 2013, in accordance with the ASC Topic 820-10-05 valuation levels:

	June 30, 2013		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Cash and cash equivalents	\$ 226,346		\$ 226,346
Corporate bonds		\$ 5,780,423	5,780,423
Mutual funds:			
Multi-asset		15,863,085	15,863,085
Fixed-income		6,294,508	6,294,508
Total funds	<u>\$ 226,346</u>	<u>\$ 27,938,016</u>	<u>\$ 28,164,362</u>

The Foundation's investments held in a multi-asset mutual fund at June 30, 2012 were classified as Level 2.

Changes in fair-value levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair-value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair-value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

The Foundation evaluated the significance of transfers between levels based upon the nature of the financial instrument and the size of the transfer relative to total net assets. For fiscal-year 2013, there were no significant transfers in or out of Levels 1 or 2.

NOTE C - PLEDGES RECEIVABLE

At each fiscal-year-end, uncollected pledges of contributions made to the Foundation (including those made to the Founder's Fund) are estimated to be received as follows:

	June 30,	
	<u>2013</u>	<u>2012</u>
Less than one year	\$ 7,218,431	\$ 8,657,147
Two to five years	5,580,417	6,335,417
Six to eight years	<u>300,000</u>	<u>650,000</u>
	13,098,848	15,642,564
Reduction of pledges due in excess of one year to present value, using discount rates ranging from 0.32% - 5.20%	<u>(707,388)</u>	<u>(833,700)</u>
	<u>\$ 12,391,460</u>	<u>\$ 14,808,864</u>

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

THE BREAST CANCER RESEARCH FOUNDATION, INC.

Notes to Consolidated Financial Statements June 30, 2013 and 2012

NOTE D - PROPERTY AND EQUIPMENT

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

	June 30,	
	<u>2013</u>	<u>2012</u>
Leasehold improvements	\$ 181,958	\$ 127,008
Furniture and equipment	<u>154,559</u>	<u>81,379</u>
	336,517	208,387
Less accumulated depreciation	<u>(206,892)</u>	<u>(193,419)</u>
	<u>\$ 129,625</u>	<u>\$ 14,968</u>

NOTE E - TEMPORARILY RESTRICTED NET ASSETS

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

	June 30,	
	<u>2013</u>	<u>2012</u>
Restricted for future periods:		
Research grants	\$ 2,853,015	\$ 2,830,692
Founder's Fund grants	<u>3,800,000</u>	<u>4,962,750</u>
	<u>\$ 6,653,015</u>	<u>\$ 7,793,442</u>

During fiscal-years 2013 and 2012, net assets of approximately \$1,635,000 and \$806,000, respectively, were released from donors' restrictions for research grants and/or the passage of time.

NOTE F - FOUNDER'S FUND CONTRIBUTIONS

After the death of Evelyn H. Lauder, Founder and Chair of The Breast Cancer Research Foundation, Inc., in November 2011, the Board of Directors created a board-designated fund, the "Founder's Fund" (the "Fund"), to accept contributions in Mrs. Lauder's memory as a means of honoring her commitment and leadership. Gifts and investment income on the Fund totaling approximately \$27,227,000 have been received through June 30, 2013. The Scientific Advisory Board has conceived a multi-year, international collaborative research initiative to focus on the biology of cancer metastasis as an appropriate use of these funds and has conducted planning meetings and formed U.S. and European organizing committees for the project. They forecast that \$5,000,000 will be required for scientific activities related to the initiative in fiscal year 2014; consequently, the Board of Directors has allocated \$5,000,000 for research related to the Fund's initiative as of June 30, 2013. The remaining balance of approximately \$22,227,000 is expected to be utilized over the next three to five years.

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 \$3,578,000 and \$6,190,000 for fiscal-years 2013 and 2012, 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.

THE BREAST CANCER RESEARCH FOUNDATION, INC.

Notes to Consolidated Financial Statements June 30, 2013 and 2012

NOTE G - DONATED GOODS AND SERVICES (CONTINUED)

[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 revenue and expense, contributed legal services of approximately \$276,000 and \$164,000, respectively, and the services of the Foundation's Scientific Advisory Committee of approximately \$37,000 and \$31,000 in fiscal-years 2013 and 2012, respectively.

Additionally, a substantial number of Board members and volunteers have donated significant amounts of their time and 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. Donated goods were valued at approximately \$365,000 and \$173,000 for fiscal-years 2013 and 2012, respectively.

NOTE H - THE ENDOWMENT

[1] The endowment:

The Foundation's endowment consists of a donor-restricted fund with income earned to be used for research grants. As required by generally accepted accounting principles, net assets associated with the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions.

[2] Interpretation of relevant law:

The Board of Directors will continue to adhere to the New York Prudent Management of Institutional Funds Act's requirements relating to the Foundation's endowment funds.

THE BREAST CANCER RESEARCH FOUNDATION, INC.

**Notes to Consolidated Financial Statements
June 30, 2013 and 2012**

NOTE H - THE ENDOWMENT (CONTINUED)

[3] Changes in net assets during each fiscal year:

	June 30, 2013		
	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	<u>\$ 0</u>	<u>\$ 300,000</u>	<u>\$ 300,000</u>
Investment return:			
Investment income	4,223		4,223
Net depreciation	<u>32,503</u>		<u>32,503</u>
Total investment return	<u>36,726</u>		<u>36,726</u>
Appropriation of endowment assets for expenditure	<u>(36,726)</u>		<u>(36,726)</u>
Endowment net assets, end of year	<u>\$ 0</u>	<u>\$ 300,000</u>	<u>\$ 300,000</u>

	June 30, 2012		
	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	<u>\$ 0</u>	<u>\$ 300,000</u>	<u>\$ 300,000</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, end of year	<u>\$ 0</u>	<u>\$ 300,000</u>	<u>\$ 300,000</u>

[4] Funds with deficiencies:

Due to unfavorable market fluctuations, from time to time the fair value of assets associated with the endowment fund 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. There were no such deficiencies in fiscal-years 2013 and 2012.

THE BREAST CANCER RESEARCH FOUNDATION, INC.

Notes to Consolidated Financial Statements June 30, 2013 and 2012

NOTE I - COMMITMENTS AND CONTINGENCIES

[1] Lease obligations:

The Foundation leases office space under a non-cancelable operating lease agreement that was scheduled to terminate in fiscal-year 2015. In October 2012, the Foundation renegotiated its lease to acquire additional space in the same building, as well as to extend the original rental period to December 31, 2022. Future minimum lease payments relating to this operating lease are approximately as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2014	\$ 266,000
2015	274,000
2016	277,000
2017	277,000
2018	281,000
thereafter	<u>1,299,000</u>
	<u>\$2,674,000</u>

Rent expense (including tax and operating escalation charges) was approximately \$322,000 and \$226,000 in fiscal-years 2013 and 2012, respectively.

[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 2013 and 2012 was approximately \$141,000 and \$112,000, respectively.

NOTE K - RELATED-PARTY TRANSACTIONS

A member of the Foundation's board of directors is also a member of the board of directors 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 2013 and 2012, the Foundation recognized contribution revenue from the corporation of approximately \$2,737,000 and \$2,411,000, respectively. During fiscal-years 2013 and 2012, certain executives as well as a board member of this corporation made personal contributions to the Foundation of approximately \$729,000 and \$19,664,000, respectively. Additionally, the corporation donated items given away during the Foundation's fund-raising events of approximately \$117,000 and \$47,000 during fiscal-years 2013 and 2012, respectively.

The Foundation reimburses this corporation to cover certain operating expenses paid on its behalf. These reimbursements to the corporation are for payroll and related 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 2013 and 2012, these reimbursements approximated \$3,898,000 and \$3,296,000, respectively, of which approximately \$3,878,000 and \$3,089,000, respectively, was for payroll and benefit reimbursement. At June 30, 2013 and 2012, the total amount advanced to the corporation was approximately \$255,000 and \$53,000, respectively, and is included in prepaid expenses in the accompanying consolidated statements of financial position.

THE BREAST CANCER RESEARCH FOUNDATION, INC.

Notes to Consolidated Financial Statements June 30, 2013 and 2012

NOTE L - MAJOR CONTRIBUTORS

The Foundation received approximately \$19,100,000 from a sole donor during fiscal-year 2013 and approximately \$16,828,000 and \$14,309,000 from seven organizations during fiscal-years 2013 and 2012, respectively.

NOTE M - CONCENTRATION OF CREDIT RISK

The Foundation's cash, cash-equivalents and investments are maintained in accounts with balances that frequently exceed federally insured limits. The Foundation places its cash and cash equivalents with large, high-quality financial institutions and diversifies its investments in corporate bonds and mutual funds of financially strong corporations. Management believes the Foundation is not exposed to the risk of any significant loss due to the failure of the financial institutions.