



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

**CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2014 and 2013**

## **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, 2014 and 2013, 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, 2014 and 2013, 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 24, 2014

# THE BREAST CANCER RESEARCH FOUNDATION, INC.

## Consolidated Statements of Financial Position

	June 30,	
	2014	2013
<b>ASSETS</b>		
Cash and cash equivalents	\$ 35,656,654	\$ 45,667,693
Investments	43,162,654	28,164,362
Pledges receivable, net	12,349,457	12,391,460
Prepaid expenses and other receivables	325,152	383,955
Property and equipment, net	121,238	129,625
Security deposit	40,061	40,061
	<u>\$ 91,655,216</u>	<u>\$ 86,777,156</u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 635,793	\$ 453,030
Grants payable	62,328,507	50,000,000
	<u>62,964,300</u>	<u>50,453,030</u>
Commitments and contingencies (Note I)		
<b>NET ASSETS</b>		
Unrestricted:		
Undesignated	14,321,097	10,944,320
Board-designated: Founder's Fund	8,988,287	18,426,791
Total unrestricted	<u>23,309,384</u>	<u>29,371,111</u>
Temporarily restricted:		
Research grants	2,381,532	2,853,015
Founder's Fund	2,700,000	3,800,000
	<u>5,081,532</u>	<u>6,653,015</u>
Permanently restricted	<u>300,000</u>	<u>300,000</u>
	<u>28,690,916</u>	<u>36,324,126</u>
	<u>\$ 91,655,216</u>	<u>\$ 86,777,156</u>

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

**Consolidated Statement of Activities**

**Year Ended June 30, 2014**

(with summarized financial information from 2013)

	Year Ended June 30, 2014							2014 Total	2013 Total
	Unrestricted			Temporarily Restricted					
	Undesignated	Founder's Fund	Total Unrestricted	Research Grants	Founder's Fund	Total Temporarily Restricted	Permanently Restricted		
<b>Public support and revenue:</b>									
Contributions	\$ 43,728,857	\$ 574,350	\$ 44,303,207					\$ 44,303,207	\$ 60,239,866
Special events, net of direct benefit to contributors of \$1,449,640 and \$1,341,125 in 2014 and 2013, respectively	<u>12,256,030</u>		<u>12,256,030</u>					<u>12,256,030</u>	<u>11,383,216</u>
Total public support and revenue	<u>55,984,887</u>	<u>574,350</u>	<u>56,559,237</u>					<u>56,559,237</u>	<u>71,623,082</u>
<b>Expenses:</b>									
Program services	49,743,979	11,600,000	61,343,979					61,343,979	51,751,310
Management and general	1,704,105		1,704,105					1,704,105	1,756,020
Fund-raising	<u>4,042,657</u>		<u>4,042,657</u>					<u>4,042,657</u>	<u>3,557,293</u>
Total expenses	<u>55,490,741</u>	<u>11,600,000</u>	<u>67,090,741</u>					<u>67,090,741</u>	<u>57,064,623</u>
Excess (deficiency) excess of public support and revenue over expenses	494,146	(11,025,650)	(10,531,504)					(10,531,504)	14,558,459
<b>Non-operating activities:</b>									
Investment income	2,151,686	487,146	2,638,832					2,638,832	1,911,337
Grant refunds	88,720		88,720					88,720	203,311
Foreign currency gains (losses)	<u>170,742</u>		<u>170,742</u>					<u>170,742</u>	<u>(15,467)</u>
Excess (deficiency) of support and revenue over expenses before net assets released from restrictions	2,905,294	(10,538,504)	(7,633,210)					(7,633,210)	16,657,640
Net assets released from restrictions	<u>471,483</u>	<u>1,100,000</u>	<u>1,571,483</u>	\$ (471,483)	\$ (1,100,000)	\$ (1,571,483)		<u>0</u>	<u>0</u>
<b>Change in net assets</b>	3,376,777	(9,438,504)	(6,061,727)	(471,483)	(1,100,000)	(1,571,483)		(7,633,210)	16,657,640
Net assets - beginning 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>	\$ 300,000	<u>36,324,126</u>	<u>19,666,486</u>
<b>Net assets - end of year</b>	<u>\$ 14,321,097</u>	<u>\$ 8,988,287</u>	<u>\$ 23,309,384</u>	<u>\$ 2,381,532</u>	<u>\$ 2,700,000</u>	<u>\$ 5,081,532</u>	<u>\$ 300,000</u>	<u>\$ 28,690,916</u>	<u>\$ 36,324,126</u>

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

**Consolidated Statement of Activities  
Year Ended June 30, 2013**

	Unrestricted			Temporarily Restricted				Total
	Undesignated	Founder's Fund	Total Unrestricted	Research Grants	Founder's Fund	Total Temporarily Restricted	Permanently Restricted	
<b>Public support and revenue:</b>								
Contributions	\$ 40,565,195	\$ 19,180,865	\$ 59,746,060	\$ 493,806		\$ 493,806		\$ 60,239,866
Special events, net of direct benefit to contributors of \$1,341,254 and \$1,211,272 in 2014 and 2013, respectively	11,383,216		11,383,216					11,383,216
Total public support and revenue	51,948,411	19,180,865	71,129,276	493,806		493,806		71,623,082
<b>Expenses:</b>								
Program services	46,751,310	5,000,000	51,751,310					51,751,310
Management and general	1,756,020		1,756,020					1,756,020
Fund-raising	3,557,293		3,557,293					3,557,293
Total expenses	52,064,623	5,000,000	57,064,623					57,064,623
(Deficiency) excess of public support and revenue over expenses	(116,212)	14,180,865	14,064,653	493,806		493,806		14,558,459
<b>Non-operating activities:</b>								
Investment income	1,893,700	17,637	1,911,337					1,911,337
Grant refunds	203,311		203,311					203,311
Foreign currency losses	(15,467)		(15,467)					(15,467)
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
Net assets released from restrictions	471,483	1,162,750	1,634,233	(471,483)	\$ (1,162,750)	(1,634,233)		0
<b>Change in net assets</b>	2,436,815	15,361,252	17,798,067	22,323	(1,162,750)	(1,140,427)		16,657,640
Net assets - beginning of year	8,507,505	3,065,539	11,573,044	2,830,692	4,962,750	7,793,442	\$ 300,000	19,666,486
<b>Net assets - end of year</b>	<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>

See notes to consolidated financial statements

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

**Consolidated Statement of Functional Expenses**  
**Year Ended June 30, 2014**  
(with summarized financial information from 2013)

	June 30, 2014						
	Supporting Services						
	Program Services	Management and General	Fund-raising	Total Supporting Services	Direct Benefit to Contributors	Total Expenses	2013 Total Expenses
Grants awarded	\$ 47,000,000					\$ 47,000,000	\$ 45,000,000
Founder's Fund grants awarded	11,600,000					11,600,000	5,000,000
Special events:							
Contracted services					\$ 1,449,640	1,449,640	1,341,254
Other			\$ 939,053	\$ 939,053		939,053	1,099,341
Salaries and employee benefits	1,478,148	\$ 787,941	2,235,226	3,023,167		4,501,315	3,985,049
Contracted services	801,707		349,482	349,482		1,151,189	311,320
Conferences and meetings	320,483					320,483	298,568
Professional fees		415,629	117,158	532,787		532,787	514,954
Rent	90,876	123,160	156,641	279,801		370,677	322,209
Telephone		21,864	21,863	43,727		43,727	42,868
Supplies		37,686		37,686		37,686	42,460
Printing, postage and office expenses	46,126	297,398	211,791	509,189		555,315	429,537
Taxes and licenses		11,429		11,429		11,429	4,846
Total expenses before depreciation and amortization	61,337,340	1,695,107	4,031,214	5,726,321	1,449,640	68,513,301	58,392,406
Depreciation and amortization	6,639	8,998	11,443	20,441		27,080	13,471
<b>Total expenses</b>	<b>61,343,979</b>	<b>1,704,105</b>	<b>4,042,657</b>	<b>5,746,762</b>	<b>1,449,640</b>	<b>68,540,381</b>	<b>58,405,877</b>
Less direct benefit to contributors					(1,449,640)	(1,449,640)	(1,341,254)
<b>Grand total</b>	<b>\$ 61,343,979</b>	<b>\$ 1,704,105</b>	<b>\$ 4,042,657</b>	<b>\$ 5,746,762</b>	<b>\$ 0</b>	<b>\$ 67,090,741</b>	<b>\$ 57,064,623</b>

See notes to consolidated financial statements

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

**Consolidated Statement of Functional Expenses  
Year Ended June 30, 2013**

	<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	\$ 45,000,000				\$ 45,000,000
Founder's Fund grants awarded	5,000,000				5,000,000
Special events:					
Contracted services				\$ 1,341,254	1,341,254
Other			\$ 1,099,341	\$ 1,099,341	1,099,341
Salaries and employee benefits	1,164,023	\$ 807,067	2,013,959	2,821,026	3,985,049
Contracted services	170,675		140,645	140,645	311,320
Conferences and meetings	298,568				298,568
Professional fees		514,954		514,954	514,954
Rent	68,160	121,448	132,601	254,049	322,209
Telephone		21,434	21,434	42,868	42,868
Supplies		42,460		42,460	42,460
Printing, postage and office expenses	47,034	238,733	143,770	382,503	429,537
Taxes and licenses		4,846		4,846	4,846
Total expenses before depreciation and amortization	<u>51,748,460</u>	<u>1,750,942</u>	<u>3,551,750</u>	<u>5,302,692</u>	<u>58,392,406</u>
Depreciation and amortization	<u>2,850</u>	<u>5,078</u>	<u>5,543</u>	<u>10,621</u>	<u>13,471</u>
<b>Total expenses</b>	<b>51,751,310</b>	<b>1,756,020</b>	<b>3,557,293</b>	<b>5,313,313</b>	<b>58,405,877</b>
Less direct benefit to contributors				<u>(1,341,254)</u>	<u>(1,341,254)</u>
<b>Grand Total</b>	<b><u>\$ 51,751,310</u></b>	<b><u>\$ 1,756,020</u></b>	<b><u>\$ 3,557,293</u></b>	<b><u>\$ 5,313,313</u></b>	<b><u>\$ 57,064,623</u></b>

See notes to consolidated financial statements

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

**Consolidated Statements of Cash Flows**

	Year Ended June 30,	
	<u>2014</u>	<u>2013</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (7,633,210)	\$ 16,657,640
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	27,080	13,471
Unrealized gains on investments	(338,212)	(1,632,206)
Realized (gains) losses on investments	(1,401)	3,694
Donated investments	(41,726)	(38,081)
Proceeds from sale of donated investments	43,127	34,387
Changes in:		
Pledges receivable, net	42,003	2,417,404
Prepaid expenses and other receivables	58,803	(235,186)
Accounts payable and accrued expenses	182,763	15,787
Grants payable	<u>12,328,507</u>	<u>9,970,399</u>
Net cash provided by operating activities	<u>4,667,734</u>	<u>27,207,309</u>
<b>Cash flows from investing activities:</b>		
Proceeds from sales of investments		1,858,943
Purchases of investments	(14,660,080)	(12,500,000)
Purchases of property and equipment	<u>(18,693)</u>	<u>(128,128)</u>
Net cash used in investing activities	<u>(14,678,773)</u>	<u>(10,769,185)</u>
<b>Change in cash and cash equivalents</b>	<b>(10,011,039)</b>	16,438,124
Cash and cash equivalents - July 1	<u>45,667,693</u>	<u>29,229,569</u>
<b>Cash and cash equivalents - June 30</b>	<b><u>\$ 35,656,654</u></b>	<b><u>\$ 45,667,693</u></b>



# THE BREAST CANCER RESEARCH FOUNDATION, INC.

## Notes to Consolidated Financial Statements June 30, 2014 and 2013

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

#### [1] The Foundation:

The Breast Cancer Research Foundation, Inc. (the "BCRF") is a New York not-for-profit organization, incorporated in 1993. The mission of BCRF is to prevent and cure breast cancer by advancing the world's most promising research. 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 BCRF (together, the "Foundation"). As BCRF Canada's assets and liabilities and its operations were not significant at June 30, 2014 and 2013, 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 ("U.S. GAAP"), 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 U.S. GAAP 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, 2014 and 2013

### 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 and sold upon receipt. 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, 2014 and 2013, there were no multi-year grants outstanding.

#### [8] Deferred rent payable:

The Foundation records rent expense using the 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, 2014 and 2013

### 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 (see 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 in accordance with the New York Prudent Management of Institutional Funds Act ("NYPMIFA"), 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 (the "FASB") Accounting Standards Codification ("ASC") Topic 740, "Income Taxes", relating to the accounting and reporting for uncertainty in income taxes. However, due to the Foundation's general tax-exempt status, ASC Topic 740 has not had, and is not expected to have, a material impact on the Foundation's consolidated financial statements. Management believes that the Foundation is no longer subject to examination by federal and state tax authorities for years prior to 2010.

#### [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 June 30, 2014 through September 24, 2014, the date the accompanying consolidated financial statements were available to be issued.

# THE BREAST CANCER RESEARCH FOUNDATION, INC.

## Notes to Consolidated Financial Statements June 30, 2014 and 2013

### NOTE B - INVESTMENTS

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

	June 30,			
	2014		2013	
	Fair Value	Cost	Fair Value	Cost
Cash and cash equivalents	\$ 559,483	\$ 559,483	\$ 226,346	\$ 226,346
Corporate bonds	5,864,075	6,004,638	5,780,423	5,830,161
Mutual funds:				
Multi-asset	17,935,157	15,978,413	15,863,085	14,208,645
Fixed-income	<u>18,803,939</u>	<u>18,739,813</u>	<u>6,294,508</u>	<u>6,357,115</u>
	<u>\$ 43,162,654</u>	<u>\$ 41,282,347</u>	<u>\$ 28,164,362</u>	<u>\$ 26,622,267</u>

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

	Year Ended June 30,	
	2014	2013
	Interest and dividends	\$ 2,299,219
Realized gains (losses)	1,401	(3,694)
Unrealized gains	<u>338,212</u>	<u>1,632,206</u>
	<u>\$ 2,638,832</u>	<u>\$ 1,911,337</u>

Interest and dividends are reported net of investment fees of \$62,394 for fiscal-year 2014.

ASC Topic 820, "Fair Value Measurements and Disclosures", 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, 2014 and 2013

#### NOTE B - INVESTMENTS (CONTINUED)

The following tables summarize the fair values of investments at each fiscal year-end in accordance with the ASC Topic 820 valuation levels:

	<b>June 30, 2014</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
Cash and cash equivalents	<b>\$ 559,483</b>		<b>\$ 559,483</b>
Corporate bonds		<b>\$ 5,864,075</b>	<b>5,864,075</b>
Mutual funds:			
Multi-asset		<b>17,935,157</b>	<b>17,935,157</b>
Fixed-income		<b>18,803,939</b>	<b>18,803,939</b>
Total funds	<b><u>\$ 559,483</u></b>	<b><u>\$ 42,603,171</u></b>	<b><u>\$ 43,162,654</u></b>

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

#### 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. During fiscal-years 2014 and 2013, there were no transfers between Levels 1 and 2.

## THE BREAST CANCER RESEARCH FOUNDATION, INC.

### Notes to Consolidated Financial Statements June 30, 2014 and 2013

#### 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:

	<u>June 30,</u>	
	<u>2014</u>	<u>2013</u>
Less than one year	\$ 9,099,755	\$ 7,218,431
Two to five years	3,645,417	5,580,417
Six to seven years	<u>200,000</u>	<u>300,000</u>
	12,945,172	13,098,848
Reduction of pledges due in excess of one year to present value, using discount rates ranging from 0.32% - 5.20%	<u>(595,715)</u>	<u>(707,388)</u>
	<u>\$ 12,349,457</u>	<u>\$ 12,391,460</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>2014</u>	<u>2013</u>
Leasehold improvements	\$ 184,958	\$ 181,958
Furniture and equipment	<u>170,253</u>	<u>154,559</u>
	355,211	336,517
Less accumulated depreciation and amortization	<u>(233,973)</u>	<u>(206,892)</u>
	<u>\$ 121,238</u>	<u>\$ 129,625</u>

#### NOTE E - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>June 30,</u>	
	<u>2014</u>	<u>2013</u>
Restricted for future periods:		
Research grants	\$ 2,381,532	\$ 2,853,015
Founder's Fund grants	<u>2,700,000</u>	<u>3,800,000</u>
	<u>\$ 5,081,532</u>	<u>\$ 6,653,015</u>

During fiscal-years 2014 and 2013, net assets of approximately \$1,571,000 and \$1,635,000, respectively, were released from donors' restrictions for research grants and/or the passage of time.

## THE BREAST CANCER RESEARCH FOUNDATION, INC.

### Notes to Consolidated Financial Statements June 30, 2014 and 2013

#### 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, which is reported in both the unrestricted and temporarily restricted net assets, totaling approximately \$28,306,000, have been received through June 30, 2014. The Foundation's Scientific Advisory Board created a multi-year, international collaborative research initiative to focus on the biology of cancer metastasis as an appropriate use of these funds and has formed U.S. and European organizing committees for the project. Through June 30 2014, the Foundation has committed \$16,600,000 to the project, with the remaining balance of approximately \$11,706,000 expected to be utilized over the next two to three 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 \$3,176,000 and \$3,578,000 for fiscal-years 2014 and 2013, respectively, do not meet the criteria for revenue recognition established by ASC Topic 958 ("Not-for-Profit Entities"), 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 to be used in carrying out the Foundation's activities. 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 \$113,000 and \$276,000, respectively, and the services of the Foundation's Scientific Advisory Committee of approximately \$52,000 and \$37,000 in fiscal-years 2014 and 2013, 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. Additionally, the Foundation is the benefactor of the net proceeds of a significant number of fund-raising events organized by volunteers in the name of the Foundation. 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 accounting principles generally accepted in the United States of America.

##### [4] Donated goods:

Donated goods consist of items received by the Foundation from various corporations (see Note K) 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 \$350,000 and \$365,000 for fiscal-years 2014 and 2013, respectively.

# THE BREAST CANCER RESEARCH FOUNDATION, INC.

## Notes to Consolidated Financial Statements June 30, 2014 and 2013

### NOTE H - THE ENDOWMENT

#### [1] The endowment:

As described in Note F, the Foundation's endowment consists of a donor-restricted fund with income earned to be used for research grants. As required by accounting principles generally accepted in the United States of America, 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 ("NYPMIFA") requirements relating to the Foundation's endowment funds.

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

	<u>June 30, 2014</u>		
	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	<u>\$ 0</u>	<u>\$ 300,000</u>	<u>\$ 300,000</u>
Investment return:			
Investment income	4,204		4,204
Net appreciation	<u>35,653</u>		<u>35,653</u>
Total investment return	<u>39,857</u>		<u>39,857</u>
Appropriation of endowment assets for expenditure	<u>(39,857)</u>		<u>(39,857)</u>
Endowment net assets, end of year	<u>\$ 0</u>	<u>\$ 300,000</u>	<u>\$ 300,000</u>

	<u>June 30, 2013</u>		
	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
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 appreciation	<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>



# THE BREAST CANCER RESEARCH FOUNDATION, INC.

## Notes to Consolidated Financial Statements June 30, 2014 and 2013

### NOTE H - THE ENDOWMENT (CONTINUED)

#### [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 2014 and 2013.

### NOTE I - COMMITMENTS AND CONTINGENCIES

#### [1] Lease obligations:

The Foundation leases office space under a non-cancelable operating lease agreement. In October 2013, the Foundation renegotiated the lease to acquire additional space in the same building, as well as to extend the original rental period, which was scheduled to terminate in fiscal-year 2015, 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>
2015	\$ 274,000
2016	277,000
2017	277,000
2018	281,000
2019	285,000
Thereafter	<u>1,014,000</u>
	<u>\$2,408,000</u>

Rent expense (including tax and operating escalation charges) was approximately \$371,000 and \$322,000 in fiscal-years 2014 and 2013, 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.

#### [3] Future events:

The Foundation is obligated under various rental agreements for fund-raising events to be held subsequent to June 30, 2014, the deposits for which have been expensed in the accompanying statements of activities.

### 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 2014 and 2013 was approximately \$166,000 and \$141,000, respectively.

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

### **Notes to Consolidated Financial Statements June 30, 2014 and 2013**

#### **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 2014 and 2013, the Foundation recognized contribution revenue from the corporation of approximately \$4,444,000 and \$2,737,000, respectively. During fiscal-years 2014 and 2013, certain executives and a board member of this corporation made personal contributions to the Foundation of approximately \$1,481,000 and \$19,664,000, respectively. Additionally, the corporation donated items given away during the Foundation's fund-raising events of approximately \$77,000 and \$117,000 during fiscal-years 2014 and 2013, 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 2014 and 2013, these reimbursements approximated \$4,654,000 and \$3,965,000, respectively, and consisted primarily of payroll and benefit reimbursements. At June 30, 2014 and 2013, the total amount advanced to the corporation was approximately \$136,000 and \$255,000, respectively, and is included in prepaid expenses in the accompanying consolidated statements of financial position.

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

The Foundation received approximately \$19,100,000 from a sole donor during fiscal-year 2013, and approximately \$16,908,000 and \$16,828,000 from seven organizations, exclusive of the donations received from the related parties described in Note K, during fiscal-years 2014 and 2013, 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. Management does not believe that the Foundation is exposed to any significant risk of loss related to failures of these financial institutions.