



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

**CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2015 and 2014**

## **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 are comprised of the consolidated statements of financial position as of June 30, 2015 and 2014, 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 consolidated 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 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 from material misstatement.

An audit involves performing procedures to obtain 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 Foundation'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 Foundation'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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Breast Cancer Research Foundation, Inc. as of June 30, 2015 and 2014, 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  
February 10, 2016

# THE BREAST CANCER RESEARCH FOUNDATION, INC.

## Consolidated Statements of Financial Position

	June 30,	
	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 35,478,542	\$ 35,656,654
Investments	40,904,781	43,162,654
Pledges receivable, net	11,373,087	12,349,457
Prepaid expenses and other receivables	352,653	325,152
Property and equipment, net	135,645	121,238
Security deposit	40,061	40,061
	<u>\$ 88,284,769</u>	<u>\$ 91,655,216</u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 319,009	\$ 635,793
Grants payable	64,112,771	62,328,507
	<u>64,431,780</u>	<u>62,964,300</u>
Commitments and contingencies (Note L)		
<b>NET ASSETS</b>		
Unrestricted:		
Undesignated	12,187,376	13,321,097
Board-designated: Founder's Fund	7,664,266	8,988,287
Total unrestricted	<u>19,851,642</u>	<u>22,309,384</u>
Temporarily restricted:		
Research grants	2,101,347	3,381,532
Founder's Fund	1,600,000	2,700,000
	<u>3,701,347</u>	<u>6,081,532</u>
Permanently restricted	<u>300,000</u>	<u>300,000</u>
	<u>23,852,989</u>	<u>28,690,916</u>
	<u>\$ 88,284,769</u>	<u>\$ 91,655,216</u>

# THE BREAST CANCER RESEARCH FOUNDATION, INC.

## Consolidated Statement of Activities Year Ended June 30, 2015

(with summarized financial information from 2014)

	Year Ended June 30, 2015								
	Unrestricted			Temporarily Restricted				2015 Total	2014 Total
	Undesignated	Board- Designated Founder's Fund	Total Unrestricted	Research Grants	Founder's Fund	Total Temporarily Restricted	Permanently Restricted		
<b>Operating activities:</b>									
<b>Public support and revenue:</b>									
Contributions	\$ 43,261,522	\$ 2,937,500	\$ 46,199,022				\$ 46,199,022	\$ 44,303,207	
Special events, net of direct benefit to contributors of \$2,038,507 and \$1,449,640 in 2015 and 2014, respectively	<u>12,196,164</u>		<u>12,196,164</u>				<u>12,196,164</u>	<u>12,256,030</u>	
Total public support and revenue	<u>55,457,686</u>	<u>2,937,500</u>	<u>58,395,186</u>				<u>58,395,186</u>	<u>56,559,237</u>	
<b>Expenses:</b>									
Program services	51,238,663	5,451,791	56,690,454				56,690,454	61,343,979	
Management and general	1,975,533		1,975,533				1,975,533	1,704,105	
Fund-raising	<u>4,549,942</u>		<u>4,549,942</u>				<u>4,549,942</u>	<u>4,042,657</u>	
Total expenses	<u>57,764,138</u>	<u>5,451,791</u>	<u>63,215,929</u>				<u>63,215,929</u>	<u>67,090,741</u>	
(Deficiency) excess of operating revenue over expenses before net assets released from restrictions	(2,306,452)	(2,514,291)	(4,820,743)				(4,820,743)	(10,531,504)	
Net assets released from restrictions	<u>1,280,185</u>	<u>1,100,000</u>	<u>2,380,185</u>	\$ (1,280,185)	\$ (1,100,000)	\$ (2,380,185)	<u>0</u>	<u>0</u>	
(Deficiency) excess of operating activities support and revenue over expenses	(1,026,267)	(1,414,291)	(2,440,558)	(1,280,185)	(1,100,000)	(2,380,185)	(4,820,743)	(10,531,504)	
<b>Non-operating activities:</b>									
Investment income	(160,783)	90,270	(70,513)				(70,513)	2,638,832	
Grant refunds	376,020		376,020				376,020	88,720	
Foreign currency (losses) gains	<u>(322,691)</u>		<u>(322,691)</u>				<u>(322,691)</u>	<u>170,742</u>	
<b>Change in net assets</b>	(1,133,721)	(1,324,021)	(2,457,742)	(1,280,185)	(1,100,000)	(2,380,185)	(4,837,927)	(7,633,210)	
Net assets - beginning of year	<u>13,321,097</u>	<u>8,988,287</u>	<u>22,309,384</u>	<u>3,381,532</u>	<u>2,700,000</u>	<u>6,081,532</u>	\$ 300,000	<u>28,690,916</u>	
<b>Net assets - end of year</b>	<u>\$ 12,187,376</u>	<u>\$ 7,664,266</u>	<u>\$ 19,851,642</u>	<u>\$ 2,101,347</u>	<u>\$ 1,600,000</u>	<u>\$ 3,701,347</u>	<u>\$ 300,000</u>	<u>\$ 28,690,916</u>	

See notes to consolidated financial statements

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

**Consolidated Statement of Activities  
Year Ended June 30, 2014**

	Unrestricted			Temporarily Restricted				
	Undesignated	Board-Designated Founder's Fund	Total Unrestricted	Research Grants	Founder's Fund	Total Temporarily Restricted	Permanently Restricted	Total
<b>Public support and revenue:</b>								
Contributions	\$ 42,728,857	\$ 574,350	\$ 43,303,207	\$ 1,000,000		\$ 1,000,000		\$ 44,303,207
Special events, net of direct benefit to contributors of \$1,449,640	<u>12,256,030</u>		<u>12,256,030</u>					<u>12,256,030</u>
Total public support and revenue	<u>54,984,887</u>	<u>574,350</u>	<u>55,559,237</u>	<u>1,000,000</u>		<u>1,000,000</u>		<u>56,559,237</u>
<b>Expenses:</b>								
Program services	49,743,979	11,600,000	61,343,979					61,343,979
Management and general	1,704,105		1,704,105					1,704,105
Fund-raising	<u>4,042,657</u>		<u>4,042,657</u>					<u>4,042,657</u>
Total expenses	<u>55,490,741</u>	<u>11,600,000</u>	<u>67,090,741</u>					<u>67,090,741</u>
(Deficiency) excess of operating revenue over expenses before net assets released from restrictions	(505,854)	(11,025,650)	(11,531,504)	1,000,000		1,000,000		(10,531,504)
Net assets released from restrictions	<u>471,483</u>	<u>1,100,000</u>	<u>1,571,483</u>	<u>(471,483)</u>	<u>\$ (1,100,000)</u>	<u>(1,571,483)</u>		<u>0</u>
(Deficiency) excess of operating activities support and revenue over expenses	(34,371)	(9,925,650)	(9,960,021)	528,517	(1,100,000)	(571,483)		(10,531,504)
<b>Non-operating activities:</b>								
Investment income	2,151,686	487,146	2,638,832					2,638,832
Grant refunds	88,720		88,720					88,720
Foreign currency gains	<u>170,742</u>		<u>170,742</u>					<u>170,742</u>
<b>Change in net assets</b>	<u>2,376,777</u>	<u>(9,438,504)</u>	<u>(7,061,727)</u>	<u>528,517</u>	<u>(1,100,000)</u>	<u>(571,483)</u>		<u>(7,633,210)</u>
<b>Net assets - beginning 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>
<b>Net assets - end of year</b>	<u>\$ 13,321,097</u>	<u>\$ 8,988,287</u>	<u>\$ 22,309,384</u>	<u>\$ 3,381,532</u>	<u>\$ 2,700,000</u>	<u>\$ 6,081,532</u>	<u>\$ 300,000</u>	<u>\$ 28,690,916</u>

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

**Consolidated Statement of Functional Expenses**  
**Year Ended June 30, 2015**  
(with summarized financial information from 2014)

	June 30, 2015						
	Supporting Services						
	Program Services	Management and General	Fund-raising	Total Supporting Services	Direct Benefit to Contributors	Total Expenses	2014 Total Expenses
Grants awarded	\$ 48,500,000					\$ 48,500,000	\$ 47,000,000
Founder's Fund grants awarded	5,451,791					5,451,791	11,600,000
Special events:							
Contracted services					\$ 2,038,507	2,038,507	1,449,640
Other			\$ 853,868	\$ 853,868		853,868	939,053
Salaries and employee benefits	1,597,235	\$ 1,045,479	2,638,486	3,683,965		5,281,200	4,501,315
Contracted services	580,659		320,767	320,767		901,426	1,151,189
Conferences and meetings	391,610					391,610	320,483
Professional fees		328,895	296,871	625,766		625,766	532,787
Rent	98,963	136,075	181,651	317,726		416,689	370,677
Telephone		17,926	17,925	35,851		35,851	43,727
Supplies		45,485		45,485		45,485	37,686
Printing, postage and office expenses	63,155	381,364	227,452	608,816		671,971	555,315
Taxes and licenses		10,629		10,629		10,629	11,429
Total expenses before depreciation and amortization	56,683,413	1,965,853	4,537,020	6,502,873	2,038,507	65,224,793	68,513,301
Depreciation and amortization	7,041	9,680	12,922	22,602		29,643	27,080
<b>Total expenses</b>	<b>56,690,454</b>	<b>1,975,533</b>	<b>4,549,942</b>	<b>6,525,475</b>	<b>2,038,507</b>	<b>65,254,436</b>	<b>68,540,381</b>
Less direct benefit to contributors					(2,038,507)	(2,038,507)	(1,449,640)
<b>Grand total</b>	<b>\$ 56,690,454</b>	<b>\$ 1,975,533</b>	<b>\$ 4,549,942</b>	<b>\$ 6,525,475</b>	<b>\$ 0</b>	<b>\$ 63,215,929</b>	<b>\$ 67,090,741</b>

See notes to consolidated financial statements

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

**Consolidated Statement of Functional Expenses  
Year Ended June 30, 2014**

	<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	\$ 47,000,000				\$ 47,000,000
Founder's Fund grants awarded	11,600,000				11,600,000
Special events:					
Contracted services				\$ 1,449,640	1,449,640
Other			\$ 939,053	\$ 939,053	939,053
Salaries and employee benefits	1,478,148	\$ 787,941	2,235,226	3,023,167	4,501,315
Contracted services	801,707		349,482	349,482	1,151,189
Conferences and meetings	320,483				320,483
Professional fees		415,629	117,158	532,787	532,787
Rent	90,876	123,160	156,641	279,801	370,677
Telephone		21,864	21,863	43,727	43,727
Supplies		37,686		37,686	37,686
Printing, postage and office expenses	46,126	297,398	211,791	509,189	555,315
Taxes and licenses		11,429		11,429	11,429
	<u>61,337,340</u>	<u>1,695,107</u>	<u>4,031,214</u>	<u>5,726,321</u>	<u>68,513,301</u>
Total expenses before depreciation and amortization				1,449,640	68,513,301
Depreciation and amortization	6,639	8,998	11,443	20,441	27,080
	<u>61,343,979</u>	<u>1,704,105</u>	<u>4,042,657</u>	<u>5,746,762</u>	<u>68,540,381</u>
<b>Total expenses</b>				1,449,640	68,540,381
Less direct benefit to contributors				(1,449,640)	(1,449,640)
<b>Grand total</b>	<u>\$ 61,343,979</u>	<u>\$ 1,704,105</u>	<u>\$ 4,042,657</u>	<u>\$ 5,746,762</u>	<u>\$ 67,090,741</u>

See notes to consolidated financial statements

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

**Consolidated Statements of Cash Flows**

	<b>Year Ended June 30,</b>	
	<b>2015</b>	<b>2014</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	<b>\$ (4,837,927)</b>	\$ (7,633,210)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	<b>29,643</b>	27,080
Unrealized losses (gains) on investments	<b>1,780,548</b>	(338,212)
Realized losses (gains) on investments	<b>29,870</b>	(1,401)
Donated investments	<b>(53,943)</b>	(41,726)
Proceeds from sale of donated investments	<b>53,943</b>	43,127
Changes in:		
Pledges receivable, net	<b>976,370</b>	42,003
Prepaid expenses and other receivables	<b>(27,501)</b>	58,803
Accounts payable and accrued expenses	<b>(316,784)</b>	182,763
Grants payable	<b>1,784,264</b>	12,328,507
Net cash (used in) provided by operating activities	<b><u>(581,517)</u></b>	<u>4,667,734</u>
<b>Cash flows from investing activities:</b>		
Proceeds from sales of investments	<b>964,050</b>	
Purchases of investments	<b>(516,595)</b>	(14,660,080)
Purchases of property and equipment	<b>(44,050)</b>	(18,693)
Net cash provided by (used in) investing activities	<b><u>403,405</u></b>	<u>(14,678,773)</u>
<b>Net decrease in cash and cash equivalents</b>	<b>(178,112)</b>	(10,011,039)
Cash and cash equivalents - July 1	<b><u>35,656,654</u></b>	<u>45,667,693</u>
<b>Cash and cash equivalents - June 30</b>	<b><u>\$ 35,478,542</u></b>	<u>\$ 35,656,654</u>

See the notes to consolidated financial statements.



## THE BREAST CANCER RESEARCH FOUNDATION, INC.

### Notes to Consolidated Financial Statements June 30, 2015 and 2014

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

##### [1] The Foundation:

The Breast Cancer Research Foundation, Inc. ("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 are not significant, 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. Since the Foundation is publicly supported, contributions to the Foundation qualify for the maximum charitable-contribution deduction under the Code.

##### [2] 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.

##### [3] 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 contingent assets and liabilities. Actual results may differ from those estimates.

##### [4] 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. Cash and cash equivalents considered to be part of the Foundation's investment portfolio are reflected as investments in the accompanying consolidated financial statements.

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.

##### [5] Investments:

Investments in corporate bonds are stated at their market-based fair values. Investments in a fixed-income mutual fund and a highly liquid, multi-asset mutual fund are reported at values determined by the Foundation's management, with the assistance of the related investment managers. Because of the complex management structure and the nature of underlying investments in the multi-asset mutual fund, the Foundation's management and its investment manager monitor its position on an ongoing basis, to reduce the risk of potential losses due to changes in fair value. Management believes the carrying values of the investments in non-publicly traded securities are reasonable estimates of their fair values. However, these estimated fair values may differ significantly from the values that would have been used had a ready market for these securities existed.

# THE BREAST CANCER RESEARCH FOUNDATION, INC.

## Notes to Consolidated Financial Statements June 30, 2015 and 2014

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

#### [5] Investments (continued):

Donated securities are recorded at their estimated fair values at the date of donation. The Foundation's policy is to sell donated securities immediately, and, accordingly, for purposes of the accompanying statements of cash flows, donated securities and the proceeds generated from their sale are included as operating activities.

Investment transactions are recorded on a trade-date basis. Realized gains and losses on assets sold, and unrealized appreciation or depreciation on investments held, are reported in the accompanying consolidated statements of activities. The earnings from dividends and interest are recognized when earned.

#### [6] Revenue recognition:

##### *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.

##### *Media placement:*

The Foundation receives in-kind contributions in the form of donated placements of public-service announcements ("PSAs") in various forms of media. Such PSAs, with an estimated value of approximately \$842,000 and \$3,176,000 for fiscal-years 2015 and 2014, respectively, do not meet the criteria for revenue recognition established by the Financial Accounting Standards Board's (the "FASB") Accounting Standards Codification ("ASC") Topic 958, *Not-for-Profit-Entities*. Accordingly, the values of the PSAs have not been reported in the accompanying consolidated financial statements.

##### *Air miles:*

The Foundation receives in-kind contributions in the form of contributed air miles in connection with Delta's 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, no values for the air miles have been reported in the accompanying consolidated financial statements.

##### *Donated goods and services:*

Contributed goods are recognized at their fair values at the dates of donation. Contributions of services are recorded as both revenue and expense in the fiscal year in which they are received, provided that the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated (see Note G).

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 outside, independent 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 generally accepted accounting principles.

# THE BREAST CANCER RESEARCH FOUNDATION, INC.

## Notes to Consolidated Financial Statements June 30, 2015 and 2014

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

#### [7] 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.

Management evaluates the recoverability of the investment in long-lived assets on an ongoing basis and recognizes impairment in the year of determination. Long-lived assets were tested for impairment as of June 30, 2015 and 2014, and, in the opinion of management, there was no impairment. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

#### [8] Grants payable:

The Foundation records appropriations for research grants and Founder's Fund grants as expenses and liabilities after approval by the Board of Directors, based upon the guidance and input of the Foundation's Scientific Advisory Board and the availability of funding. Research grants are generally paid within one year, while certain grants from the Founder's Fund include multi-year terms and are scheduled for payment through fiscal-year 2017. (See Note F).

#### [9] 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.

#### [10] 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), are the remaining net assets of the Foundation that are used to carry out the Foundation's mission and are not subject to donor 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.

# THE BREAST CANCER RESEARCH FOUNDATION, INC.

## Notes to Consolidated Financial Statements June 30, 2015 and 2014

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

#### [10] Net assets: (continued)

##### (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 available for annual research awards.

#### [11] Income tax uncertainties:

The Foundation is subject to the provisions of ASC Topic 740, *Income Taxes*, relating to the accounting and reporting for uncertainty in income taxes. Because of 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.

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

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.

#### [13] Measure of operations:

The Foundation includes in its definition of operations all revenue and expenses that are an integral part of its programs and supporting activities. Investment income, including foreign currency gains and losses, as well as refunds of grants awarded in prior-years, is recognized as part of the Foundation's non-operating activities.

#### [14] Functional allocation of expenses:

The costs of providing the Foundation's various programs and supporting services have been summarized on a functional basis in the accompanying consolidated statements of activities and of functional expenses. Accordingly, certain costs have been allocated among program and supporting services using reasonable ratios as determined by management.

#### [15] Reclassification:

Certain information in the accompanying fiscal-year 2014 financial statements has been reclassified to conform to the fiscal-year's 2015 presentation.

#### [16] 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, 2015 through February 10, 2016, the date the consolidated financial statements were available to be issued.

# THE BREAST CANCER RESEARCH FOUNDATION, INC.

## Notes to Consolidated Financial Statements June 30, 2015 and 2014

### NOTE B - INVESTMENTS

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

	June 30,			
	2015		2014	
	Fair Value	Cost	Fair Value	Cost
Cash and cash equivalents	\$ 819,456	\$ 819,456	\$ 559,483	\$ 559,483
Corporate bonds	5,814,492	6,023,205	5,864,075	6,004,638
Mutual funds:				
Multi-asset	16,618,126	15,978,413	17,935,157	15,978,413
Fixed-income	<u>17,652,707</u>	<u>17,984,036</u>	<u>18,803,939</u>	<u>18,739,813</u>
	<u>\$ 40,904,781</u>	<u>\$ 40,805,110</u>	\$ 43,162,654	\$ 41,282,347

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

	Year Ended June 30,	
	2015	2014
Interest and dividends	\$ 1,739,905	\$ 2,299,219
Realized (losses) gains	(29,870)	1,401
Unrealized (losses) gains	<u>(1,780,548)</u>	<u>338,212</u>
	<u>\$ (70,513)</u>	<u>\$ 2,638,832</u>

Interest and dividends are reported net of investment fees of \$86,001 and \$62,394 for fiscal-years 2015 and 2014, respectively.

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.

The Foundation's multi-asset mutual fund consists of units in investment funds, as opposed to direct interests in the funds' underlying holdings, which may be marketable. Because of the nature of the management structure of this fund, the Foundation's interest is classified in Level 2.

# THE BREAST CANCER RESEARCH FOUNDATION, INC.

## Notes to Consolidated Financial Statements June 30, 2015 and 2014

### 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:

	June 30, 2015		
	Level 1	Level 2	Total
Cash and cash equivalents	\$ 819,456		\$ 819,456
Corporate bonds		\$ 5,814,492	5,814,492
Mutual funds:			
Multi-asset		16,618,126	16,618,126
Fixed-income	<u>17,652,707</u>		<u>17,652,707</u>
Total	<u>\$18,472,163</u>	<u>\$ 22,432,618</u>	<u>\$ 40,904,781</u>

  

	June 30, 2014		
	Level 1	Level 2	Total
Cash and cash equivalents	\$ 559,483		\$ 559,483
Corporate bonds		\$ 5,864,075	5,864,075
Mutual funds:			
Multi-asset		17,935,157	17,935,157
Fixed-income	<u>18,803,939</u>		<u>18,803,939</u>
Total	<u>\$19,363,422</u>	<u>\$ 23,799,232</u>	<u>\$ 43,162,654</u>

### Changes in fair-value levels

The availability of market data is monitored to assess the appropriate classification of financial instruments within the fair-value hierarchy. Changes in economic conditions or 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. For fiscal-years 2015 and 2014, there were no transfers among the fair-value hierarchy levels.

### NOTE C - PLEDGES RECEIVABLE

At each fiscal-year-end, net 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,	
	2015	2014
Less than one year	\$ 9,608,593	\$ 9,099,755
Two to five years	2,178,751	3,645,417
Six to seven years	<u>100,000</u>	<u>200,000</u>
	11,887,344	12,945,172
Reduction of pledges due in excess of one year to present value, using discount rates ranging from 0.69% - 5.20%	<u>(514,257)</u>	<u>(595,715)</u>
	<u>\$ 11,373,087</u>	<u>\$ 12,349,457</u>

## THE BREAST CANCER RESEARCH FOUNDATION, INC.

### Notes to Consolidated Financial Statements June 30, 2015 and 2014

#### NOTE C - PLEDGES RECEIVABLE (CONTINUED)

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>2015</u>	<u>2014</u>
Leasehold improvements	\$ 229,008	\$ 184,958
Furniture and equipment	<u>170,253</u>	<u>170,253</u>
	399,261	355,211
Less accumulated depreciation and amortization	<u>(263,616)</u>	<u>(233,973)</u>
	<u>\$ 135,645</u>	<u>\$ 121,238</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>2015</u>	<u>2014</u>
Restricted for future periods:		
Research grants	\$ 2,101,347	\$ 3,381,532
Founder's Fund grants	<u>1,600,000</u>	<u>2,700,000</u>
	<u>\$ 3,701,347</u>	<u>\$ 6,081,532</u>

During fiscal-years 2015 and 2014, net assets of approximately \$2,380,000 and \$1,571,000, 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, which is reported in both the unrestricted and temporarily restricted net assets, totaling approximately \$31,316,000, have been received from inception of the Fund through June 30, 2015. 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. To date, the Foundation has committed approximately \$22,052,000 to the project, with the remaining balance of approximately \$9,264,000 expected to be fully committed over the next two years.

# THE BREAST CANCER RESEARCH FOUNDATION, INC.

## Notes to Consolidated Financial Statements June 30, 2015 and 2014

### NOTE G - DONATED GOODS AND SERVICES

During fiscal-years 2015 and 2014, the Foundation received donated goods and services as follows:

	<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>
Donated goods:		
Special events - fundraising merchandise	<u>\$ 302,000</u>	<u>\$ 350,000</u>
Donated services:		
Legal	<u>73,000</u>	113,000
Scientific advisory committee	<u>96,000</u>	<u>52,000</u>
Total donated services	<u>169,000</u>	<u>165,000</u>
Total donated goods and services	<u>\$ 471,000</u>	<u>\$ 515,000</u>

### NOTE H - THE ENDOWMENT

#### [1] The endowment:

The Foundation's endowment consists of a single donor-restricted fund with the income earned thereon 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] Changes in net assets during each fiscal year:

	<u>June 30, 2015</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 300,000</u>	<u>\$ 300,000</u>
Investment return:				
Investment income		<u>19,404</u>		<u>19,404</u>
Net depreciation		<u>(22,030)</u>		<u>(22,030)</u>
Total investment return		<u>(2,626)</u>		<u>(2,626)</u>
Other changes	<u>(2,626)</u>	<u>2,626</u>		<u>0</u>
Endowment net assets, end of year	<u>\$ (2,626)</u>	<u>\$ 0</u>	<u>\$ 300,000</u>	<u>\$ 297,374</u>



# THE BREAST CANCER RESEARCH FOUNDATION, INC.

## Notes to Consolidated Financial Statements June 30, 2015 and 2014

### NOTE H - THE ENDOWMENT (CONTINUED)

#### [2] Changes in net assets during each fiscal year: (continued)

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

#### [3] Potential deficiencies in the Fund:

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. In fiscal-year 2015, the endowment fund had a deficiency of approximately \$2,700; there was no such deficiency in fiscal-year 2014.

### NOTE I - RELATED-PARTY TRANSACTIONS

Two members of the Foundation's Board of Directors are also members of the board of directors of a corporation that donated a portion of its sales revenue to the Foundation and held various fund-raising events for the benefit of the Foundation. For fiscal-years 2015 and 2014, the Foundation recognized contribution revenue from the corporation of approximately \$4,106,000 and \$4,444,000, respectively. During fiscal-years 2015 and 2014, certain executives and a board member of this corporation also made personal contributions to the Foundation of approximately \$3,210,000 and \$1,481,000, respectively. Additionally, during fiscal-years 2015 and 2014, the corporation donated items to be given away during the Foundation's fund-raising events valued at approximately \$159,000 and \$77,000, respectively.

The Foundation also reimburses this corporation to cover certain operating expenses paid on its behalf each fiscal-year. These reimbursements to the corporation are for payroll and related benefits for the staff who exclusively conduct Foundation's activities, as well as reimbursement for information services and other administrative services provided at cost. For fiscal-years 2015 and 2014, these reimbursements approximated \$5,245,000 and \$4,654,000, respectively. At June 30, 2015 and 2014, the total amount advanced to the corporation for future costs was approximately \$50,000 and \$136,000, 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, 2015 and 2014

### NOTE J - EMPLOYEE-BENEFIT PLAN

The Foundation participates in a multiple-employer retirement plan, formed under Section 413(c) of the Code, which covers all eligible employees. The Foundation's contribution to the plan for fiscal-years 2015 and 2014 was approximately \$190,000 and \$166,000, respectively.

### NOTE K - MAJOR CONTRIBUTORS

During fiscal-years 2015 and 2014, the Foundation received approximately \$18,978,000 and \$16,908,000, respectively, from seven other organizations, exclusive of the donations received from the related parties described in Note I.

### NOTE L - 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>
2016	\$ 277,000
2017	277,000
2018	281,000
2019	285,000
2020	285,000
Thereafter	<u>728,000</u>
	<u>\$ 2,133,000</u>

Rent expense (including tax and operating escalation charges) was approximately \$417,000 and \$371,000 in fiscal-years 2015 and 2014, 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 fund-raising events:

The Foundation is obligated under various rental agreements for fund-raising events to be held subsequent to fiscal year-end, the deposits for which have been reported as prepaid costs in the accompanying statements of financial position.

#### [4] Other contracts:

In the normal course of business, the Foundation enters into various contracts and agreements for professional and other services, which are typically renewable on a year-to-year basis.

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

### **Notes to Consolidated Financial Statements June 30, 2015 and 2014**

#### **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.