



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

**CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2016 and 2015**

## **INDEPENDENT AUDITORS' REPORT**

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, 2016 and 2015, 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 auditors' judgments, 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 auditors consider internal controls 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, 2016 and 2015, 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  
November 14, 2016

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

**Consolidated Statements of Financial Position**

	June 30,	
	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 40,122,628	\$ 35,478,542
Investments	40,373,118	40,904,781
Pledges receivable, net	10,556,902	11,373,087
Prepaid expenses and other receivables	712,415	352,653
Property and equipment, net	110,350	135,645
Security deposit	40,061	40,061
	<u>\$ 91,915,474</u>	<u>\$ 88,284,769</u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 320,165	\$ 319,009
Grants payable	69,730,204	64,112,771
	<u>70,050,369</u>	<u>64,431,780</u>
Commitments (Note F and N)		
<b>NET ASSETS</b>		
Unrestricted:		
Undesignated	10,392,268	12,187,376
Board-designated: Founder's Fund	8,105,693	7,664,266
Total unrestricted	<u>18,497,961</u>	<u>19,851,642</u>
Temporarily restricted:		
Research grants	1,317,144	2,101,347
Founder's Fund	500,000	1,600,000
	<u>1,817,144</u>	<u>3,701,347</u>
Permanently restricted	<u>1,550,000</u>	<u>300,000</u>
	<u>21,865,105</u>	<u>23,852,989</u>
	<u>\$ 91,915,474</u>	<u>\$ 88,284,769</u>

See independent auditors' report and notes to the consolidated financial statements.

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

**Consolidated Statement of Activities**

**Year Ended June 30, 2016**

(with summarized financial information from 2015)

	Year Ended June 30, 2016								2015 Total
	Unrestricted			Temporarily Restricted					
	Undesignated	Board- Designated Founder's Fund	Total Unrestricted	Research Grants	Founder's Fund	Total Temporarily Restricted	Permanently Restricted	Total	
<b>Operating activities:</b>									
<b>Public support and revenue:</b>									
Contributions	\$ 52,244,134	\$ 2,905	\$ 52,247,039				\$ 1,250,000	\$ 53,497,039	\$ 46,199,022
Special events, net of direct benefit to contributors of \$2,494,743 and \$2,038,507 in 2016 and 2015, respectively	<u>12,839,613</u>		<u>12,839,613</u>					<u>12,839,613</u>	<u>12,196,164</u>
Total public support and revenue	<u>65,083,747</u>	<u>2,905</u>	<u>65,086,652</u>				<u>1,250,000</u>	<u>66,336,652</u>	<u>58,395,186</u>
<b>Expenses:</b>									
Program services	59,627,698	1,000,000	60,627,698					60,627,698	56,690,454
Management and general	2,275,265		2,275,265					2,275,265	1,975,533
Fund-raising	<u>5,458,170</u>		<u>5,458,170</u>					<u>5,458,170</u>	<u>4,549,942</u>
Total expenses	<u>67,361,133</u>	<u>1,000,000</u>	<u>68,361,133</u>					<u>68,361,133</u>	<u>63,215,929</u>
(Deficiency) excess of operating revenue over expenses before net assets released from restrictions	(2,277,386)	(997,095)	(3,274,481)				1,250,000	(2,024,481)	(4,820,743)
Net assets released from restrictions	<u>789,015</u>	<u>1,100,000</u>	<u>1,889,015</u>	\$ (789,015)	\$ (1,100,000)	\$ (1,889,015)	<u>0</u>	<u>0</u>	<u>0</u>
(Deficiency) excess of operating activities support and revenue over expenses	(1,488,371)	102,905	(1,385,466)	(789,015)	(1,100,000)	(1,889,015)	1,250,000	(2,024,481)	(4,820,743)
<b>Non-operating activities:</b>									
Net investment (loss) income	(469,745)	338,522	(131,223)	4,812		4,812		(126,411)	(70,513)
Grant refunds	232,080		232,080					232,080	376,020
Foreign currency losses	<u>(69,072)</u>		<u>(69,072)</u>					<u>(69,072)</u>	<u>(322,691)</u>
<b>Change in net assets</b>	<u>(1,795,108)</u>	<u>441,427</u>	<u>(1,353,681)</u>	<u>(784,203)</u>	<u>(1,100,000)</u>	<u>(1,884,203)</u>	<u>1,250,000</u>	<u>(1,987,884)</u>	<u>(4,837,927)</u>
Net assets, beginning of year	<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>23,852,989</u>	<u>28,690,916</u>
<b>Net assets, end of year</b>	<u>\$ 10,392,268</u>	<u>\$ 8,105,693</u>	<u>\$ 18,497,961</u>	<u>\$ 1,317,144</u>	<u>\$ 500,000</u>	<u>\$ 1,817,144</u>	<u>\$ 1,550,000</u>	<u>\$ 21,865,105</u>	<u>\$ 23,852,989</u>

See independent auditors' report and notes to the consolidated financial statements.

# THE BREAST CANCER RESEARCH FOUNDATION, INC.

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

	Unrestricted			Temporarily Restricted			Permanently Restricted	Total
	Undesignated	Board-Designated Founder's Fund	Total Unrestricted	Research Grants	Founder's Fund	Total Temporarily Restricted		
<b>Operating activities:</b>								
<b>Public support and revenue:</b>								
Contributions	\$ 43,261,522	\$ 2,937,500	\$ 46,199,022					\$ 46,199,022
Special events, net of direct benefit to contributors of \$2,038,507 in 2015	<u>12,196,164</u>		<u>12,196,164</u>					<u>12,196,164</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>
<b>Expenses:</b>								
Program services	51,238,663	5,451,791	56,690,454					56,690,454
Management and general	1,975,533		1,975,533					1,975,533
Fund-raising	<u>4,549,942</u>		<u>4,549,942</u>					<u>4,549,942</u>
Total expenses	<u>57,764,138</u>	<u>5,451,791</u>	<u>63,215,929</u>					<u>63,215,929</u>
(Deficiency) of operating revenue over expenses before net assets released from restrictions	(2,306,452)	(2,514,291)	(4,820,743)					(4,820,743)
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>
(Deficiency) 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)
<b>Non-operating activities:</b>								
Net investment income	(160,783)	90,270	(70,513)					(70,513)
Grant refunds	376,020		376,020					376,020
Foreign currency losses	<u>(322,691)</u>		<u>(322,691)</u>					<u>(322,691)</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)
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>\$ 23,852,989</u>

See independent auditors' report and notes to the consolidated financial statements.

## THE BREAST CANCER RESEARCH FOUNDATION, INC.

### Consolidated Statement of Functional Expenses

Year Ended June 30, 2016

(with summarized financial information from 2015)

	June 30, 2016						2015 Total Expenses
	Program Services	Supporting Services		Total Supporting Services	Direct Benefit to Contributors	Total Expenses	
		Management and General	Fund-raising				
Grants awarded	\$ 56,000,000					\$ 56,000,000	\$ 48,500,000
Founder's Fund grants awarded	1,000,000					1,000,000	5,451,791
Special events:							
Contracted services					\$ 2,494,743	2,494,743	2,038,507
Other			\$ 919,264	\$ 919,264		919,264	853,868
Salaries and employee benefits	2,044,687	\$ 1,117,048	2,807,056	3,924,104		5,968,791	5,281,200
Contracted services	881,681		668,364	668,364		1,550,045	901,426
Conferences and meetings	456,156					456,156	391,610
Professional fees		516,712	511,425	1,028,137		1,028,137	625,766
Rent	143,501	142,855	191,982	334,837		478,338	416,689
Telephone		14,333	14,332	28,665		28,665	35,851
Supplies		51,172		51,172		51,172	45,485
Printing, postage and office expenses	94,084	414,733	335,595	750,328		844,412	671,971
Taxes and licenses		10,858		10,858		10,858	10,629
Total expenses before depreciation and amortization	60,620,109	2,267,711	5,448,018	7,715,729	2,494,743	70,830,581	65,224,793
Depreciation and amortization	7,589	7,554	10,152	17,706		25,295	29,643
<b>Total expenses</b>	<b>60,627,698</b>	<b>2,275,265</b>	<b>5,458,170</b>	<b>7,733,435</b>	<b>2,494,743</b>	<b>70,855,876</b>	<b>65,254,436</b>
Less direct benefit to contributors					(2,494,743)	(2,494,743)	(2,038,507)
<b>Grand total</b>	<b>\$ 60,627,698</b>	<b>\$ 2,275,265</b>	<b>\$ 5,458,170</b>	<b>\$ 7,733,435</b>	<b>\$ 0</b>	<b>\$ 68,361,133</b>	<b>\$ 63,215,929</b>

See independent auditors' report and notes to the consolidated financial statements.

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

**Consolidated Statement of Functional Expenses  
Year Ended June 30, 2015**

	<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	\$ 48,500,000				\$ 48,500,000
Founder's Fund grants awarded	5,451,791				5,451,791
Special events:					
Contracted services				\$ 2,038,507	2,038,507
Other			\$ 853,868	\$ 853,868	853,868
Salaries and employee benefits	1,597,235	\$ 1,045,479	2,638,486	3,683,965	5,281,200
Contracted services	580,659		320,767	320,767	901,426
Conferences and meetings	391,610				391,610
Professional fees		328,895	296,871	625,766	625,766
Rent	98,963	136,075	181,651	317,726	416,689
Telephone		17,926	17,925	35,851	35,851
Supplies		45,485		45,485	45,485
Printing, postage and office expenses	63,155	381,364	227,452	608,816	671,971
Taxes and licenses		10,629		10,629	10,629
	<u>56,683,413</u>	<u>1,965,853</u>	<u>4,537,020</u>	<u>6,502,873</u>	<u>2,038,507</u>
Total expenses before depreciation and amortization					65,224,793
Depreciation and amortization	7,041	9,680	12,922	22,602	29,643
<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>
Less direct benefit to contributors				<u>(2,038,507)</u>	<u>(2,038,507)</u>
<b>Grand total</b>	<b><u>\$ 56,690,454</u></b>	<b><u>\$ 1,975,533</u></b>	<b><u>\$ 4,549,942</u></b>	<b><u>\$ 6,525,475</u></b>	<b><u>\$ 2,038,507</u></b>

See independent auditors' report and notes to the consolidated financial statements.

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

**Consolidated Statements of Cash Flows**

	Year Ended June 30,	
	<u>2016</u>	<u>2015</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (1,987,884)	\$ (4,837,927)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	25,295	29,643
Unrealized losses on investments	1,532,406	1,780,548
Realized losses on investments	28,174	29,870
Bad debt expense	33,781	
Changes in:		
Pledges receivable, net	782,404	976,370
Prepaid expenses and other receivables	(359,762)	(27,501)
Accounts payable and accrued expenses	1,156	(316,784)
Grants payable	<u>5,617,433</u>	<u>1,784,264</u>
Net cash provided by (used in) operating activities	<u>5,673,003</u>	<u>(581,517)</u>
<b>Cash flows from investing activities:</b>		
Proceeds from sales of investments	4,868,406	964,050
Purchases of investments	(5,897,323)	(516,595)
Purchases of property and equipment	<u>0</u>	<u>(44,050)</u>
Net cash (used in) provided by investing activities	<u>(1,028,917)</u>	<u>403,405</u>
<b>Net change in cash and cash equivalents</b>	<b>4,644,086</b>	<b>(178,112)</b>
Cash and cash equivalents, beginning of year	<u>35,478,542</u>	<u>35,656,654</u>
<b>Cash and cash equivalents, end of year</b>	<b><u>\$ 40,122,628</u></b>	<b><u>\$ 35,478,542</u></b>
<b>Supplemental disclosure of cash flow information:</b>		
Noncash donations of goods and services	<u>\$ 677,000</u>	<u>\$ 471,000</u>



# THE BREAST CANCER RESEARCH FOUNDATION, INC.

## Notes to Consolidated Financial Statements June 30, 2016 and 2015

### 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. All significant inter-organization balances and transactions have been eliminated in consolidation.

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 consolidated 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, public support and 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 held as 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 cash and cash equivalents held in interest bearing accounts, and investments in corporate bonds with readily determinable fair values, are reported at their fair values in the accompanying consolidated statements of financial position, with realized and unrealized gains and losses included in the accompanying consolidated statements of activities. The Foundation's investments in a fixed-income mutual fund and a highly liquid, multi-asset mutual fund are reported at values determined by the related investment managers and are reviewed by the Foundation's management for reasonableness.

# THE BREAST CANCER RESEARCH FOUNDATION, INC.

## Notes to Consolidated Financial Statements June 30, 2016 and 2015

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

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

Investment transactions are recorded on a trade-date basis. Realized gains and losses on investments are determined by comparison of the average cost of acquisition to proceeds at the time of disposition. The earnings from dividends and interest are recognized when earned.

The balances of investment management fees are included in the consolidated statements of activities, disclosed in Note B, and represent those fees charged by the Foundation's investment managers in each year; however, they do not include those fees that are embedded in the mutual fund transactions.

Donated securities are recorded at their estimated fair values, as determined by the proceeds received on the dates of donation or by their net asset values as determined by the Foundation's management. The Foundation's policy is to sell donated securities immediately, and, accordingly, for purposes of the accompanying consolidated statements of cash flows, donated securities received and sold in the same year are included in operating activities.

#### [6] Property and equipment:

Property and equipment are stated at their original costs at the dates of acquisition, or, if contributed, at their fair values at the dates of donation. The Foundation capitalizes items of property and equipment that have a cost of \$5,000 or more and a useful life greater than one year. Minor costs of repairs and maintenance are expensed as incurred. Depreciation of furniture 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.

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, 2016 and 2015, 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.

#### [7] 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 may include multi-year terms. (See Note F). There were no multi-year grants of this nature during fiscal years 2016 and 2015, and accordingly, both the research grants and the Founder's Fund grants are payable in the subsequent fiscal year.

#### [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, 2016 and 2015

#### 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 set aside by the Board 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.

(iii) *Permanently restricted:*

Permanently restricted net assets represent those resources the principal of which has been permanently restricted by a donor, with the income earned available for annual research awards. Under the terms of NYPMIFA, those earnings are classified as temporarily restricted in the accompanying consolidated statements of activities, pending appropriation by the Board of Directors.

##### [10] Revenue recognition:

(i) *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.

(ii) *Donated goods and services:*

For recognition of donated goods and services in the Foundation's financial statements, such goods or services must (i) create or enhance non-financial assets and (ii) typically need to be acquired if not provided by donation. Additionally, recognition of donated services must (i) require a specialized skill, and (ii) be provided by individuals possessing these skills. Donated goods and services are recorded as unrestricted support unless the donor has restricted the donated assets to a specific purpose. Donated goods and services are reported as both contributions and offsetting expenses in the accompanying consolidated statements of activities (see Note G).

# THE BREAST CANCER RESEARCH FOUNDATION, INC.

## Notes to Consolidated Financial Statements June 30, 2016 and 2015

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

#### [10] Revenue recognition: (continued)

(iii) *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 a total estimated value of approximately \$1,507,000 and \$842,000 for fiscal-years 2016 and 2015, respectively, do not meet the criteria for revenue recognition. Accordingly, the values of the PSAs have not been reported in the accompanying consolidated financial statements.

(iv) *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.

(v) *Other:*

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.

#### [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, management believes ASC Topic 740 has not had, and is not expected to have, a material impact on the Foundation's consolidated financial statements.

#### [12] Measure of operations:

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

#### [13] 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, direct costs have been allocated among program and supporting service categories based on the nature of the expense or time allocation. Indirect costs have been allocated on the basis of utilization.

# THE BREAST CANCER RESEARCH FOUNDATION, INC.

## Notes to Consolidated Financial Statements June 30, 2016 and 2015

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

#### [14] New accounting pronouncement:

In August 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-14, "Presentation of Financial Statements of Not-for-Profit Entities." ASU 2016-14 will amend financial-statement presentations and disclosures, with the goal of assisting not-for-profit organizations in providing more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users.

ASU 2016-14 includes qualitative and quantitative requirements in the following areas: (i) net asset classifications, (ii) investment returns, (iii) expense categorizations, (iv) liquidity and availability of resources, and (v) the presentation of operating cash flows. The new standard will be effective for fiscal years beginning after December 15, 2017. The Foundation has chosen not to early-adopt the pronouncement.

#### [15] 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, 2016 through November 14, 2016 the date on which the consolidated financial statements were available to be issued.

### NOTE B - INVESTMENTS

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

	June 30,			
	2016		2015	
	Fair Value	Cost	Fair Value	Cost
Cash and cash equivalents	\$ 648,926	\$ 648,926	\$ 819,456	\$ 819,456
Corporate bonds	6,217,489	6,471,745	5,814,492	6,023,205
Mutual funds:				
Fixed-income	17,694,882	18,209,269	17,652,707	17,984,036
Multi-asset	<u>15,811,821</u>	<u>16,475,913</u>	<u>16,618,126</u>	<u>15,978,413</u>
	<u>\$ 40,373,118</u>	<u>\$ 41,805,853</u>	<u>\$ 40,904,781</u>	<u>\$ 40,805,110</u>

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

	Year Ended June 30,	
	2016	2015
Interest and dividends, net	\$ 1,434,169	\$ 1,739,905
Realized losses	(28,174)	(29,870)
Unrealized losses	<u>(1,532,406)</u>	<u>(1,780,548)</u>
	<u>\$ (126,411)</u>	<u>\$ (70,513)</u>

Interest and dividends are reported net of investment fees of \$86,826 and \$86,001 for fiscal-years 2016 and 2015, respectively.

## THE BREAST CANCER RESEARCH FOUNDATION, INC.

### Notes to Consolidated Financial Statements June 30, 2016 and 2015

#### NOTE B - INVESTMENTS (CONTINUED)

The FASB's ASC Topic 820, *Fair Value Measurements and Disclosures*, establishes a three-level valuation hierarchy for 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 identical investments at the reporting date.
- Level 2: Valuations are based on (i) quoted prices for 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 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. The Foundation currently has no level 3 investments.

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, 2016		
	Level 1	Level 2	Total
Cash and cash equivalents	\$ 648,926		\$ 648,926
Corporate bonds		\$ 6,217,489	6,217,489
Mutual funds:			
Fixed-income	17,694,882		17,694,882
Multi-asset		15,811,821	15,811,821
Total	<u>\$18,343,808</u>	<u>\$ 22,029,310</u>	<u>\$ 40,373,118</u>
	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:			
Fixed-income	17,652,707		17,652,707
Multi-asset		16,618,126	16,618,126
Total	<u>\$18,472,163</u>	<u>\$ 22,432,618</u>	<u>\$ 40,904,781</u>

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 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 2016 and 2015, there were no transfers among the fair-value hierarchy levels.

# THE BREAST CANCER RESEARCH FOUNDATION, INC.

## Notes to Consolidated Financial Statements June 30, 2016 and 2015

### NOTE C - PLEDGES RECEIVABLE

At each fiscal-year-end, pledges receivable are estimated to be received as follows:

	<b>June 30,</b>	
	<b>2016</b>	<b>2015</b>
Less than one year	<b>\$ 8,947,390</b>	\$ 9,608,593
Two to five years	<b>2,095,417</b>	2,178,751
Six to seven years		100,000
	<b>11,042,807</b>	11,887,344
Reduction of pledges due in excess of one year to present value, using discount rates ranging from 0.69% - 5.20%	<b>(485,905)</b>	(514,257)
	<b><u>\$ 10,556,902</u></b>	<b><u>\$ 11,373,087</u></b>

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:

	<b>June 30,</b>	
	<b>2016</b>	<b>2015</b>
Leasehold improvements	<b>\$ 229,008</b>	\$ 229,008
Furniture and equipment	<b>170,253</b>	170,253
	<b>399,261</b>	399,261
Less accumulated depreciation and amortization	<b>(288,911)</b>	(263,616)
	<b><u>\$ 110,350</u></b>	<b><u>\$ 135,645</u></b>

### NOTE E - TEMPORARILY RESTRICTED NET ASSETS

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

	<b>June 30,</b>	
	<b>2016</b>	<b>2015</b>
Restricted for future periods:		
Research grants	<b>\$ 1,317,144</b>	\$ 2,101,347
Founder's Fund grants	<b>500,000</b>	1,600,000
	<b><u>\$ 1,817,144</u></b>	<b><u>\$ 3,701,347</u></b>

During fiscal-years 2016 and 2015, net assets of approximately \$1,889,000 and \$2,380,000, 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, 2016 and 2015

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

After the death of Evelyn H. Lauder, Founder and Chair of BCRF, 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 of the Fund, which is reported in both the unrestricted and temporarily restricted net assets, totaling approximately \$31,657,000, have been received from inception of the Fund through June 30, 2016. 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 \$23,052,000 to the project. The remaining balance of approximately \$8,605,000 expected to be fully committed over the next two years.

#### NOTE G - DONATED GOODS AND SERVICES

During fiscal-years 2016 and 2015, the Foundation received donated goods and services as follows:

	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
Donated goods:		
Special events - fundraising merchandise	<u>\$ 372,000</u>	<u>\$ 302,000</u>
Donated services:		
Legal	<u>165,000</u>	73,000
Scientific advisory committee	<u>140,000</u>	<u>96,000</u>
Total donated services	<u>305,000</u>	<u>169,000</u>
Total donated goods and services	<u>\$ 677,000</u>	<u>\$ 471,000</u>

#### NOTE H - THE ENDOWMENT

##### [1] The endowment:

At June 30, 2016, the Foundation's endowment consists of two donor-restricted funds with the income earned thereon to be used for their respective research initiatives. 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.



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

**Notes to Consolidated Financial Statements  
June 30, 2016 and 2015**

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

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

	June 30, 2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ (2,626)	\$ 0	\$ 300,000	\$ 297,374
Contributions			1,250,000	1,250,000
Investment return:				
Investment income		15,364		15,364
Net depreciation		(10,552)		(10,552)
Total investment return		4,812		4,812
Appropriation of endowment asset for expenditure		(2,186)		(2,186)
Other changes	2,626	(2,626)		0
Endowment net assets (including a pledge receivable of \$750,000), end of year	\$ 0	\$ 0	\$ 1,550,000	\$ 1,550,000

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

**[3] Return objectives and risk parameters:**

The Foundation's endowment assets are invested in a manner intended to produce a positive return on invested assets, while assuming a moderate level of investment risk. Actual returns in any given year may vary, depending on investment strategies and economic conditions.

## THE BREAST CANCER RESEARCH FOUNDATION, INC.

### Notes to Consolidated Financial Statements June 30, 2016 and 2015

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

##### [4] Strategies employed for achieving objectives:

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total-return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

##### [5] Spending policy:

The Foundation has a policy for appropriating for each year an amount that shall not exceed an amount earned on the endowment. Over the long term, management expects the assets underlying its endowment to grow at a reasonable rate, consistent with the Foundation's objective to maintain the purchasing power of the endowment assets, as well as to provide additional real growth through new gifts and investment returns.

##### [6] 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. In fiscal-year 2016, there were no such deficiencies; in fiscal-year 2015, the endowment fund had a deficiency of approximately \$2,700.

#### 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 2016 and 2015, the Foundation recognized contribution revenue from the corporation of approximately \$4,271,000 and \$4,106,000, respectively. During fiscal-years 2016 and 2015, certain executives and a board member of this corporation also made personal contributions to the Foundation of approximately \$474,000 and \$3,210,000, respectively. Additionally, during fiscal-years 2016 and 2015, the corporation donated items to be given away during the Foundation's fund-raising events valued at approximately \$178,000 and \$159,000, 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 the Foundation's activities, as well as reimbursement for other administrative services provided at cost. For fiscal-years 2016 and 2015, these reimbursements approximated \$6,060,000 and \$5,294,000, respectively. At June 30, 2016 and 2015, the total amount advanced to the corporation for future costs was approximately \$440,000 and \$50,000, respectively, and is included in prepaid expenses in the accompanying consolidated statements of financial position.

#### 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 2016 and 2015 was approximately \$217,000 and \$190,000, respectively.

# THE BREAST CANCER RESEARCH FOUNDATION, INC.

## Notes to Consolidated Financial Statements June 30, 2016 and 2015

### NOTE K - MAJOR CONTRIBUTORS

During fiscal-years 2016 and 2015, the Foundation received approximately \$26,246,000 and \$18,978,000, respectively, from ten other organizations in 2016 and seven other organizations in 2015, exclusive of the donations received from the related parties described in Note I.

### NOTE L - COMMITMENT RECEIVED

In December 2015, the Foundation received a conditional grant of \$15,000,000 to establish a research fund to promote the advancement of scientific knowledge concerning pre-clinical and clinical evaluations of the grantors breast cancer treatments. The grant is subject to the annual approval of the Foundation's Scientific Advisory Board's (the "Board") selection of qualified institutions to conduct the studies, and the Board's satisfactory evaluation of the progress of the selected studies. In fiscal-year 2016, the Foundation received \$5,000,000 which is reported in the accompanying consolidated statements of activities: however, no provision for future amounts that may be received under this agreement has been included in the accompanying consolidated financial statements due to the conditional nature of the grant.

### NOTE M - FISCAL-SPONSORSHIP PROGRAMS

During fiscal-year 2016, the Foundation established a fiscal-sponsorship program for two unincorporated not-for-profit associations whose work is consistent with the Foundation's mission and exempt purpose. Contribution revenue received in conjunction with these programs during the fiscal-year amounted to approximately \$2,691,000 and amounts expended for these program activities were \$1,357,000. These amounts have been included in the accompanying consolidated financial statements.

### NOTE N - COMMITMENTS

#### [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. In addition, in 2016, the Foundation leased storage space on a month-to-month basis.

Future minimum lease payments relating to this operating lease are approximately as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 279,000
2018	281,000
2019	285,000
2020	285,000
2021	289,000
Thereafter	<u>439,000</u>
	<u>\$ 1,858,000</u>

Rent expense (including tax and operating escalation charges) was approximately \$478,000 and \$417,000 in fiscal-years 2016 and 2015, respectively.

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

### **Notes to Consolidated Financial Statements June 30, 2016 and 2015**

#### **NOTE N - COMMITMENTS (CONTINUED)**

##### **[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 its 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 consolidated 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.

#### **NOTE O - 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.