

EISNERAMPER

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

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020 and 2019



THE BREAST CANCER RESEARCH FOUNDATION, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Breast Cancer Research Foundation, Inc.

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, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for each of 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated 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 entity'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 consolidated 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, 2020 and 2019, and the changes in its net assets, and its cash flows for each of the years then ended, in accordance with accounting principles generally accepted in the United States of America.



EISNERAMPER LLP
New York, New York
March 26, 2021



THE BREAST CANCER RESEARCH FOUNDATION, INC.

Consolidated Statements of Financial Position

| | June 30, | |
|---|-----------------------|-----------------------|
| | <u>2020</u> | <u>2019</u> |
| ASSETS | | |
| Cash and cash equivalents | \$ 42,399,122 | \$ 36,648,761 |
| Pledges receivable, net | 8,098,534 | 13,965,082 |
| Other receivables | 252,842 | 339,453 |
| Investments | 55,552,833 | 58,493,942 |
| Prepaid expenses | 601,360 | 642,455 |
| Property and equipment, net | 412,908 | 511,287 |
| Security deposits | <u>257,845</u> | <u>258,220</u> |
| | <u>\$ 107,575,444</u> | <u>\$ 110,859,200</u> |
| LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 663,430 | \$ 732,235 |
| Paycheck Protection Program loan payable | 1,272,100 | - |
| Grants payable | <u>60,087,707</u> | <u>83,150,961</u> |
| | <u>62,023,237</u> | <u>83,883,196</u> |
| Commitments other uncertainty (Notes F and K) | | |
| NET ASSETS | | |
| Without donor restrictions: | | |
| Undesignated – available for operations | 31,951,598 | 14,989,485 |
| Board-designated: Founder's Fund | <u>558,204</u> | <u>543,041</u> |
| Total net assets without donor restrictions | <u>32,509,802</u> | <u>15,532,526</u> |
| With donor restrictions: | | |
| Purpose restrictions | 4,456,500 | 1,419,656 |
| Time restricted for future periods | 1,910,905 | 3,473,822 |
| Perpetual in nature | <u>6,675,000</u> | <u>6,550,000</u> |
| Total net assets with donor restrictions | <u>13,042,405</u> | <u>11,443,478</u> |
| Total net assets | <u>45,552,207</u> | <u>26,976,004</u> |
| | <u>\$ 107,575,444</u> | <u>\$ 110,859,200</u> |

See notes to the consolidated financial statements.

THE BREAST CANCER RESEARCH FOUNDATION, INC.

Consolidated Statements of Activities

| | Year Ended June 30, | | | | | |
|--|----------------------------|-------------------------|----------------------|----------------------------|-------------------------|----------------------|
| | 2020 | | | 2019 | | |
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Operating activities: | | | | | | |
| Public support and revenue: | | | | | | |
| Contributions of financial assets | \$ 53,940,328 | \$ 5,481,845 | \$ 59,422,173 | \$ 59,184,286 | \$ 4,429,925 | \$ 63,614,211 |
| Contributions of nonfinancial assets | 733,810 | - | 733,810 | 827,517 | - | 827,517 |
| Special events (net of direct benefits to contributors of \$1,547,013 and \$3,451,974 in fiscal-years 2020 and 2019, respectively) | <u>15,100,667</u> | <u>-</u> | <u>15,100,667</u> | <u>13,416,701</u> | <u>-</u> | <u>13,416,701</u> |
| Total public support and revenue | <u>69,774,805</u> | <u>5,481,845</u> | <u>75,256,650</u> | <u>73,428,504</u> | <u>4,429,925</u> | <u>77,858,429</u> |
| Expenses: | | | | | | |
| Program services | 47,368,906 | - | 47,368,906 | 71,729,456 | - | 71,729,456 |
| Management and general | 3,980,066 | - | 3,980,066 | 3,221,255 | - | 3,221,255 |
| Fund-raising | <u>7,658,913</u> | <u>-</u> | <u>7,658,913</u> | <u>7,691,553</u> | <u>-</u> | <u>7,691,553</u> |
| Total expenses | <u>59,007,885</u> | <u>-</u> | <u>59,007,885</u> | <u>82,642,264</u> | <u>-</u> | <u>82,642,264</u> |
| Excess (deficiency) of operating activities over expenses before net assets released from restrictions | 10,766,920 | 5,481,845 | 16,248,765 | (9,213,760) | 4,429,925 | (4,783,835) |
| Net assets released from restrictions | <u>4,119,207</u> | <u>(4,119,207)</u> | <u>-</u> | <u>3,987,440</u> | <u>(3,987,440)</u> | <u>-</u> |
| Excess (deficiency) of operating activities support and revenue over expenses | 14,886,127 | 1,362,638 | 16,248,765 | (5,226,320) | 442,485 | (4,783,835) |
| Non-operating activities: | | | | | | |
| Net investment income | 1,699,214 | 236,289 | 1,935,503 | 3,091,016 | 378,103 | 3,469,119 |
| Grant refunds | 338,656 | - | 338,656 | 503,407 | - | 503,407 |
| Foreign currency losses | (105,840) | - | (105,840) | (31,118) | - | (31,118) |
| Royalties and other income | <u>159,119</u> | <u>-</u> | <u>159,119</u> | <u>86,092</u> | <u>-</u> | <u>86,092</u> |
| Change in net assets | 16,977,276 | 1,598,927 | 18,576,203 | (1,576,923) | 820,588 | (756,335) |
| Net assets, beginning of year | <u>15,532,526</u> | <u>11,443,478</u> | <u>26,976,004</u> | <u>17,109,449</u> | <u>10,622,890</u> | <u>27,732,339</u> |
| Net assets, end of year | <u>\$ 32,509,802</u> | <u>\$ 13,042,405</u> | <u>\$ 45,552,207</u> | <u>\$ 15,532,526</u> | <u>\$ 11,443,478</u> | <u>\$ 26,976,004</u> |

See notes to the consolidated financial statements.

THE BREAST CANCER RESEARCH FOUNDATION, INC.

Consolidated Statement of Functional Expenses

Year Ended June 30, 2020

(with summarized financial information for the year ended June 30, 2019)

| | Program Services: Research | Supporting Services | | | Total | |
|--|----------------------------------|---------------------------|--------------|---------------------------------|---------------|---------------|
| | | Management and General | Fund-raising | Total Supporting Services | 2020 | 2019 |
| | | | | | | |
| Grants awarded | \$ 41,020,000 | \$ - | \$ - | \$ - | \$ 41,020,000 | \$ 61,908,148 |
| Founder's Fund grants awarded | - | - | - | - | - | 4,091,852 |
| Special events: | | | | | | |
| Direct event costs | - | - | 1,663,332 | 1,663,332 | 1,663,332 | 3,451,974 |
| Printing, postage and office expenses | - | - | 863,011 | 863,011 | 863,011 | 597,257 |
| Event management and production | - | - | 584,274 | 584,274 | 584,274 | 562,698 |
| Other | - | - | 214,699 | 214,699 | 214,699 | 309,806 |
| Salaries and employee benefits | 3,215,483 | 1,650,886 | 4,415,004 | 6,065,890 | 9,281,373 | 7,800,023 |
| Contracted services | 132,085 | - | 307,451 | 307,451 | 439,536 | 2,628,691 |
| Conferences and meetings | 481,585 | - | - | - | 481,585 | 555,643 |
| Professional fees | 1,719,312 | 1,011,452 | 443,385 | 1,454,837 | 3,174,149 | 1,501,775 |
| Rent | 413,500 | 367,160 | 478,852 | 846,012 | 1,259,512 | 1,173,922 |
| Telephone | - | 28,657 | 28,656 | 57,313 | 57,313 | 56,686 |
| Supplies | 11,256 | 62,588 | 3,980 | 66,568 | 77,824 | 48,152 |
| Printing, postage and office expenses | 333,398 | 680,898 | 154,312 | 835,210 | 1,168,608 | 1,283,715 |
| Increase in allowance for uncollectible accounts | - | 129,899 | - | 129,899 | 129,899 | 15,670 |
| Taxes and licenses | - | 10,978 | - | 10,978 | 10,978 | 11,632 |
| | | | | | | |
| Total expenses before depreciation and amortization | 47,326,619 | 3,942,518 | 9,156,956 | 13,099,474 | 60,426,093 | 85,997,644 |
| Depreciation and amortization | 42,287 | 37,548 | 48,970 | 86,518 | 128,805 | 96,594 |
| | | | | | | |
| Total expenses | 47,368,906 | 3,980,066 | 9,205,926 | 13,185,992 | 60,554,898 | 86,094,238 |
| Less direct benefits to contributors | - | - | (1,547,013) | (1,547,013) | (1,547,013) | (3,451,974) |
| | | | | | | |
| Total expenses per statements of activities | \$ 47,368,906 | \$ 3,980,066 | \$ 7,658,913 | \$ 11,638,979 | \$ 59,007,885 | \$ 82,642,264 |

See notes to the consolidated financial statements.

THE BREAST CANCER RESEARCH FOUNDATION, INC.

**Consolidated Statement of Functional Expenses
Year Ended June 30, 2019**

| | Program Services: Research | Supporting Services | | | Total |
|--|----------------------------------|---------------------------|---------------------|---------------------------------|----------------------|
| | | Management and General | Fund-raising | Total Supporting Services | |
| Grants awarded | \$ 61,908,148 | \$ - | \$ - | \$ - | \$ 61,908,148 |
| Founder's Fund grants awarded | 4,091,852 | - | - | - | 4,091,852 |
| Special events: | | | | | |
| Direct event costs | - | - | 3,451,974 | 3,451,974 | 3,451,974 |
| Printing, postage and office expenses | - | - | 597,257 | 597,257 | 597,257 |
| Event management and production | - | - | 562,698 | 562,698 | 562,698 |
| Other | - | - | 309,806 | 309,806 | 309,806 |
| Salaries and employee benefits | 2,644,146 | 1,372,268 | 3,783,609 | 5,155,877 | 7,800,023 |
| Contracted services | 1,773,156 | - | 855,535 | 855,535 | 2,628,691 |
| Conferences and meetings | 555,643 | - | - | - | 555,643 |
| Professional fees | - | 783,009 | 718,766 | 1,501,775 | 1,501,775 |
| Rent | 359,669 | 344,685 | 469,568 | 814,253 | 1,173,922 |
| Telephone | - | 28,343 | 28,343 | 56,686 | 56,686 |
| Supplies | - | 48,152 | - | 48,152 | 48,152 |
| Printing, postage and office expenses | 367,247 | 589,135 | 327,333 | 916,468 | 1,283,715 |
| Increase in allowance for uncollectible accounts | - | 15,670 | - | 15,670 | 15,670 |
| Taxes and licenses | - | 11,632 | - | 11,632 | 11,632 |
| | | | | | |
| Total expenses before depreciation and amortization | 71,699,861 | 3,192,894 | 11,104,889 | 14,297,783 | 85,997,644 |
| Depreciation and amortization | 29,595 | 28,361 | 38,638 | 66,999 | 96,594 |
| | | | | | |
| Total expenses | 71,729,456 | 3,221,255 | 11,143,527 | 14,364,782 | 86,094,238 |
| Less direct benefits to contributors | - | - | (3,451,974) | (3,451,974) | (3,451,974) |
| | | | | | |
| Total expenses per statements of activities | <u>\$ 71,729,456</u> | <u>\$ 3,221,255</u> | <u>\$ 7,691,553</u> | <u>\$ 10,912,808</u> | <u>\$ 82,642,264</u> |

See notes to the consolidated financial statements.

THE BREAST CANCER RESEARCH FOUNDATION, INC.

Consolidated Statements of Cash Flows

| | Year Ended June 30, | |
|---|-----------------------------|-----------------------------|
| | 2020 | 2019 |
| Cash flows from operating activities: | | |
| Change in net assets | \$ 18,576,203 | \$ (756,335) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 128,805 | 96,594 |
| Unrealized gains on investments | (225,820) | (1,259,792) |
| Realized losses (gains) on investments | 98,059 | (641,951) |
| Increase in allowance for uncollectible accounts | 129,899 | 15,670 |
| Contributions – perpetual in nature | (125,000) | - |
| Changes in: | | |
| Pledges receivable, net | 5,736,649 | 10,471,519 |
| Other receivables | 86,611 | 146,331 |
| Prepaid expenses | 41,095 | 58,329 |
| Security deposits | 375 | (117,618) |
| Accounts payable and accrued expenses | (68,805) | 128,270 |
| Grants payable | <u>(23,063,254)</u> | <u>6,511,056</u> |
| Net cash provided by operating activities | <u>1,314,817</u> | <u>14,652,073</u> |
| Cash flows from investing activities: | | |
| Proceeds from sales of investments | 12,513,198 | 53,598,204 |
| Purchases of investments | (9,444,328) | (47,906,461) |
| Purchases of property and equipment | <u>(30,426)</u> | <u>(389,218)</u> |
| Net cash provided by investing activities | <u>3,038,444</u> | <u>5,302,525</u> |
| Cash flows from financing activities: | | |
| Proceeds from Paycheck Protection Program loan | 1,272,100 | - |
| Contributions – perpetual in nature | <u>125,000</u> | <u>-</u> |
| Net cash provided by financing activities | <u>1,397,100</u> | <u>-</u> |
| Net increase in cash and cash equivalents | 5,750,361 | 19,954,598 |
| Cash and cash equivalents, beginning of year | <u>36,648,761</u> | <u>16,694,163</u> |
| Cash and cash equivalents, end of year | <u>\$ 42,399,122</u> | <u>\$ 36,648,761</u> |
| Supplemental disclosure of cash flow information: | | |
| Noncash donations of goods and services | <u>\$ 733,810</u> | <u>\$ 827,517</u> |

See notes to the consolidated financial statements.

THE BREAST CANCER RESEARCH FOUNDATION, INC.

Notes to Consolidated Financial Statements June 30, 2020 and 2019

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"). Gains and losses from foreign currency translations are included in the statements of activities. 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.

BCRF 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 BCRF is publicly supported, contributions to the Foundation qualify for the maximum charitable-contribution deduction under the Code.

[2] Basis of accounting:

The consolidated financial statements 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.

[3] Use of estimates:

The preparation of consolidated 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, public support and revenue 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 consolidated statements of financial position.

[5] Investments:

The Foundation's investments in equity securities, fixed income securities, and mutual funds, are reported at their fair values in the consolidated statements of financial position at each fiscal year-end based on quoted market prices.

The Foundation's investments, in general, are subject to various risks, such as interest-rate, market, and credit risks. Due to the level of risk associated with certain investment vehicles, it is at least reasonably possible that changes in the values of those securities could occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

THE BREAST CANCER RESEARCH FOUNDATION, INC.

Notes to Consolidated Financial Statements June 30, 2020 and 2019

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 sold, and unrealized appreciation and depreciation on investments held, are reported in the consolidated statements of activities as increases or decreases in net assets without donor restrictions unless their use is restricted through donor stipulation. Realized gains and losses on investments are determined by comparison of the cost at the time of acquisition to the proceeds at the time of disposition. Unrealized gains and losses on investments are determined by comparing the investment's cost to the fair value at the end of each year. The earnings from dividends and interest are recognized when earned.

Investment expenses include the services of investment managers and custodians. The balances of investment management fees disclosed in Note C are those specific fees charged by the Foundation's various investment managers in each fiscal year; however, they do not include those fees that are embedded in various other investment transactions.

Donated securities are recorded at their estimated fair values on the dates of donation. The Foundation's policy is to sell the donated securities immediately, and, accordingly, for purposes of the consolidated statements of cash flows, donated securities and the proceeds generated from their sale are included in the change in net assets within 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, net of accumulated depreciation and amortization. The Foundation capitalizes leasehold improvements and furniture and equipment with a cost of \$5,000 or more and a useful life greater than one year, whereas 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, 2020 and 2019, 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] PPP loan payable:

On March 27, 2020, Congress enacted the Coronavirus Aid Relief, and Economic Security ("CARES") Act. The Paycheck Protection Program ("PPP") established by the CARES Act, implemented by the U.S. Small Business Administration ("SBA"), provides businesses, including certain not-for-profit organizations, with funds to pay payroll and other costs during the coronavirus ("COVID-19") outbreak. During fiscal-year 2020, the Foundation applied for and received PPP funds.

There are two acceptable methods for accounting for the PPP funds received under the CARES Act. Entities can elect to treat the funds as a loan or as a conditional contribution. The Foundation has elected to record the PPP funds as a loan under the Financial Accounting Standards Board's (the "FASB") Accounting Standards Codification ("ASC") 470 *Debt*. The Foundation is in the process of applying for loan forgiveness, which will be recognized when the application is formally approved by the bank and the SBA (see Note L).

THE BREAST CANCER RESEARCH FOUNDATION, INC.

Notes to Consolidated Financial Statements June 30, 2020 and 2019

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

[8] Deferred rent payable:

For financial reporting purposes, the aggregate minimum lease payments are being amortized using the straight-line basis over the term of the lease for its office space. The cumulative difference of rent expense over amounts actually paid, or currently payable, to the landlord is included in accounts payable and accrued expenses in the consolidated statements of financial position.

[9] Grants payable:

The Foundation records awards of unconditional 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. The Foundation receives refunds from the underlying grantee institutions when a project is terminated before completion or when the underlying investigator moves to another institution. When the project is terminated, those funds are treated as miscellaneous income by the Foundation and are added to the funds available for future research grants. When an investigator changes institutions and the work previously funded will continue, the Foundation redistributes the unused funds to the investigator's new institution.

[10] Net assets:

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

(i) *Net Assets Without Donor Restrictions:*

The Foundation's net assets without donor restrictions represent those resources for which there are no restrictions by donors as to their use and are available for current operations. In addition, the Board of Directors has set aside amounts designated for the Founder's Fund (see Note F).

(ii) *Net Assets With Donor Restrictions:*

Net assets with donor restrictions represent those resources that are subject to donor-imposed restrictions, such as specific purposes and/or a specific period of time. Also included within net assets with donor restrictions are donor restrictions that are perpetual in nature and subject to the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). These donors have stipulated that those resources be maintained in perpetuity with the resultant income and net capital appreciation arising from the underlying assets be used in the satisfaction of the wishes of those donors. When a donor restriction expires, that is, when a stipulated time restriction ends, a purpose restriction is accomplished, or funds are appropriated through an action of the Board of Directors, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as "net assets released from restrictions."

[11] 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 recorded as "with donor restrictions" if they are received with donor stipulations or time considerations as to their use. Conditional contributions are recorded when the conditions have been met. 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. The Foundation periodically assesses the collectability of its outstanding pledges and provides allowances for anticipated losses, if any, when necessary.

THE BREAST CANCER RESEARCH FOUNDATION, INC.

Notes to Consolidated Financial Statements June 30, 2020 and 2019

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

[11] Revenue recognition: (continued)

(ii) *Special events:*

Gross proceeds paid by attendees at special events held as fund-raising activities represents contribution revenue as well as the payment of the direct costs of the benefits received by the attendee at the event (referred to as "direct benefits to contributors" within the consolidated statements of activities and functional expenses). Special event income is reported net of direct benefits to contributors. Special event revenues, other than the contribution portion, applicable to a future year are recognized as revenue in the year the special event takes place.

(iii) *Donated goods and services:*

For recognition of donated services in the Foundation's consolidated financial statements, such 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 at their estimated fair values at the dates of donation and are reported as without donor restrictions 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 consolidated statements of activities (see Note H).

[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 gains, refunds of grants awarded in prior-years, foreign currency losses, rental income, as well as royalties, 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 consolidated statements of activities. The consolidated statements of functional expenses present expenses by functional and natural classification. Accordingly, direct costs have been functionalized within the program and supporting services, based on the nature of the expense. Indirect costs, including salaries and employee benefits, occupancy costs and depreciation have been allocated on the basis of time spent among employees.

[14] Income tax uncertainties:

The Foundation is subject to the provisions of the FASB's ASC Topic 740, *Income Taxes*, relating to 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.

THE BREAST CANCER RESEARCH FOUNDATION, INC.

Notes to Consolidated Financial Statements June 30, 2020 and 2019

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

[15] Adoption of accounting pronouncements:

(i) *Contributions received and Contributions Made:*

In June 2018, the FASB issued Accounting Standards Update (“ASU”) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 985)*. This standard provides a framework for evaluating whether grants should be accounted for as exchange transactions or as non-exchange transactions. For non-exchange transactions, the new guidance clarifies whether arrangements are conditional or unconditional. ASU 2018-08 should be adopted on the modified prospective basis. The resource recipient portion of the ASU is effective for fiscal-years beginning after December 15, 2018 and the resource provider portion of the ASU is effective for fiscal-years beginning after December 15, 2019. Accordingly, the Foundation adopted the portion of the ASU for resource recipients for its fiscal-year ending June 30, 2020. Management has concluded that there was no need to adjust revenue or net assets on the consolidated financial statements as a result of implementing the resource provided portion of the ASU. The Foundation is currently evaluating the effect that the resource provider guidance will have on the fiscal year 2021 consolidated financial statements and related disclosures.

(ii) *Disclosure Requirements for Fair-Value Measurements:*

In August 2018, FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820) Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement* which modified the disclosure requirements for fair value measurements and is effective for years beginning after December 15, 2019, with early adoption permitted. The effect of adopting this accounting guidance will result in the removal or modification of certain fair value measurement disclosures presented in the Foundation’s consolidated financial statements. The Foundation early adopted this pronouncement as of December 31, 2019. The amendments on changes in unrealized gains and losses, the range and weighted average of significant-unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty are applied prospectively for only the most recent annual period presented in the year of adoption. All other amendments are applied retrospectively to each period for which the consolidated financial statements are presented.

[16] Upcoming accounting pronouncements:

(i) *Revenue from Contracts with Customers:*

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. ASU 2014-09 requires an entity to recognize revenue depicting the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard permits the use of either the retrospective or cumulative effect transition method. The adoption of ASU 2014-19 is not expected to have a material effect on the Foundation’s consolidated financial statements, but will require enhanced disclosures. As a result of recent deferrals due to COVID-19, the new standard is effective for fiscal years beginning after December 15, 2019; accordingly, the Foundation is currently evaluating the effect that this new guidance will have on the consolidated financial statements and related disclosures.

THE BREAST CANCER RESEARCH FOUNDATION, INC.

Notes to Consolidated Financial Statements June 30, 2020 and 2019

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

[16] Upcoming accounting pronouncements: (continued)

(ii) Leases:

In February 2016, the FASB issued its new lease accounting guidance in ASU 2016-02, *Leases*. ASU 2016-02 will require lessees to recognize for all leases (with terms of more than 12 months) at the commencement date, the following: a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and b) a right-of-use-asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The new lease guidance also simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. Lessees will no longer be provided with a source of off-balance sheet financing. As a result of recent deferrals due to COVID-19, ASU 2016-02 will be effective for private not-for-profit organizations for fiscal years beginning after December 15, 2021. The Foundation is currently evaluating the effect that this new guidance will have on the consolidated financial statements and related disclosures.

(iii) Contributed Nonfinancial Assets:

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. For each category of contributed nonfinancial assets recognized, the not-for-profit organization will need to disclose: (i) qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period. If utilized, a description of the programs or other activities in which those assets were used; (ii) the not-for-profit's policy (if any) about monetizing rather than utilizing contributed nonfinancial assets; (iii) a description of any donor-imposed restrictions associated with the contributed nonfinancial assets; (iv) the valuation techniques and inputs used to arrive at a fair value measure, in accordance with the requirements in *Topic 820, Fair Value Measurement*, at initial recognition; and (v) the principal market (or most advantageous market) used to arrive at a fair value measure, if it is a market in which the recipient entity is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets. The amendments in this ASU will be applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021. The Foundation is currently evaluating the effect that this new guidance will have on the consolidated financial statements and related disclosures.

[17] Subsequent events:

The Foundation has evaluated subsequent events through March 26, 2021, the date on which the consolidated financial statements were available to be issued.

THE BREAST CANCER RESEARCH FOUNDATION, INC.

Notes to Consolidated Financial Statements June 30, 2020 and 2019

NOTE B - PLEDGES AND OTHER RECEIVABLES

[1] Pledges receivable:

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

| | June 30, | |
|--|----------------------------|----------------------|
| | 2020 | 2019 |
| Less than one year | \$ 6,761,311 | \$ 13,557,090 |
| Two to five years | 1,510,000 | - |
| Six to ten years | <u>450,000</u> | <u>970,417</u> |
| | 8,721,311 | 14,527,507 |
| Reduction of pledges due in excess of one year to present value, using discount rates ranging from 1.30% - 1.75% | (386,777) | (337,425) |
| Less allowance for doubtful collections | <u>(236,000)</u> | <u>(225,000)</u> |
| | <u>\$ 8,098,534</u> | <u>\$ 13,965,082</u> |

The Foundation wrote-off uncollectible pledges receivable of approximately \$119,000 and \$87,000 against its allowance in fiscal-year's 2020 and 2019, respectively.

[2] Other receivables:

Other receivables consist of accrued interest and other amounts due to the Foundation. All amounts are fully collectible, and accordingly, no allowance for doubtful accounts has been established.

NOTE C - INVESTMENTS

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

| | June 30, | | | |
|---|-----------------------------|-----------------------------|----------------------|----------------------|
| | 2020 | | 2019 | |
| | Fair Value | Cost | Fair Value | Cost |
| Cash and cash equivalents | \$ 3,377,952 | \$ 3,377,952 | \$ 5,548,134 | \$ 5,548,134 |
| Equity securities | 22,035,983 | 20,006,888 | 20,197,325 | 18,000,000 |
| Corporate bonds | 8,887,660 | 8,834,512 | 12,070,262 | 12,261,440 |
| U.S. government and agency obligations | 4,185,669 | 3,982,923 | 3,990,143 | 3,936,549 |
| Fixed-income mutual fund | <u>17,065,569</u> | <u>17,004,706</u> | <u>16,688,078</u> | <u>16,627,787</u> |
| | <u>\$ 55,552,833</u> | <u>\$ 53,206,981</u> | <u>\$ 58,493,942</u> | <u>\$ 56,373,910</u> |

At June 30, 2020, concentrations of the Foundation's investments in excess of 10% of the fair value of its portfolio included approximately 31% and 29% invested in a fixed-income mutual fund for the fiscal-years ended June 2020 and 2019, respectively.

THE BREAST CANCER RESEARCH FOUNDATION, INC.

Notes to Consolidated Financial Statements June 30, 2020 and 2019

NOTE C - INVESTMENTS (CONTINUED)

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

| | Year Ended June 30, | |
|--------------------------|------------------------|---------------------|
| | <u>2020</u> | <u>2019</u> |
| Interest and dividends | \$ 1,909,661 | \$ 1,674,230 |
| Realized (losses) gains | (98,059) | 641,951 |
| Unrealized gains | 225,820 | 1,259,792 |
| Investment advisory fees | <u>(101,919)</u> | <u>(106,854)</u> |
| | <u>\$ 1,935,503</u> | <u>\$ 3,469,119</u> |

The FASB's ASC Topic 820, *Fair Value Measurements*, establishes a three-level valuation hierarchy of fair-value designations. 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 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 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.

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

| | June 30, 2020 | | |
|--|----------------------|---------------------|----------------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Total</u> |
| Cash and cash equivalents | \$ 3,377,952 | \$ - | \$ 3,377,952 |
| Equity securities | 22,035,983 | - | 22,035,983 |
| Corporate bonds | - | 8,887,660 | 8,887,660 |
| U.S. government and agency obligations | 3,149,270 | 1,036,399 | 4,185,669 |
| Fixed-income mutual fund | <u>17,065,569</u> | <u>-</u> | <u>17,065,569</u> |
| | <u>\$ 45,628,774</u> | <u>\$ 9,924,059</u> | <u>\$ 55,552,833</u> |

THE BREAST CANCER RESEARCH FOUNDATION, INC.

**Notes to Consolidated Financial Statements
June 30, 2020 and 2019**

NOTE C - INVESTMENTS (CONTINUED)

| | June 30, 2019 | | |
|--|----------------------|----------------------|----------------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Total</u> |
| Cash and cash equivalents | \$ 5,548,134 | \$ - | \$ 5,548,134 |
| Equity securities | 20,197,325 | - | 20,197,325 |
| Corporate bonds | - | 12,070,262 | 12,070,262 |
| U.S. government and agency obligations | 2,779,583 | 1,210,560 | 3,990,143 |
| Fixed-income mutual fund | <u>16,688,078</u> | <u>-</u> | <u>16,688,078</u> |
| | <u>\$ 45,213,120</u> | <u>\$ 13,280,822</u> | <u>\$ 58,493,942</u> |

NOTE D - PROPERTY AND EQUIPMENT

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

| | June 30, | |
|--|--------------------------|--------------------------|
| | <u>2020</u> | <u>2019</u> |
| Leasehold improvements | \$ 710,313 | \$ 700,783 |
| Furniture and equipment | <u>282,066</u> | <u>261,170</u> |
| | 992,379 | 961,953 |
| Less accumulated depreciation and amortization | <u>(579,471)</u> | <u>(450,666)</u> |
| | <u>\$ 412,908</u> | <u>\$ 511,287</u> |

THE BREAST CANCER RESEARCH FOUNDATION, INC.

Notes to Consolidated Financial Statements June 30, 2020 and 2019

NOTE E - NET ASSETS WITH DONOR RESTRICTIONS

At each fiscal year-end, net assets with donor restrictions consisted of the following:

| | <u>June 30,</u> | |
|--|----------------------|----------------------|
| | <u>2020</u> | <u>2019</u> |
| Purpose restrictions: | | |
| Research grants | \$ 3,759,947 | \$ 1,003,159 |
| Founders Fund grants | <u>560,357</u> | <u>196,590</u> |
| | 4,320,304 | 1,199,749 |
| Subject to appropriation: | | |
| Accumulated endowment earnings reserved for appropriation | <u>136,196</u> | <u>219,907</u> |
| Total purpose restrictions | <u>4,456,500</u> | 1,419,656 |
| Time-restricted for future periods | <u>1,910,905</u> | <u>3,473,822</u> |
| Perpetual in nature | <u>6,675,000</u> | <u>6,550,000</u> |
| | <u>\$ 13,042,405</u> | <u>\$ 11,443,478</u> |

During each fiscal-year, net assets released from restrictions, as the result of satisfying donor restrictions, were as follows:

| | <u>June 30,</u> | |
|--|---------------------|---------------------|
| | <u>2020</u> | <u>2019</u> |
| Purpose restrictions satisfied as follows: | | |
| Research grants | \$ 1,220,726 | \$ 2,022,137 |
| Founder's Fund grants | <u>96,590</u> | <u>94,928</u> |
| | <u>1,317,316</u> | <u>2,117,065</u> |
| Time-restrictions satisfied | <u>2,801,891</u> | <u>1,870,375</u> |
| | <u>\$ 4,119,207</u> | <u>\$ 3,987,440</u> |

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 accumulated investment income of the Fund, which are reported in both the net assets without donor restrictions and net assets with donor restrictions, totaling approximately \$33,148,000, have been received from inception of the Fund through June 30, 2020. 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 granted approximately \$31,894,000 related to the project. The remaining balance of approximately \$1,158,000 is expected to be approved by the Board to be granted in full in the next fiscal year.

THE BREAST CANCER RESEARCH FOUNDATION, INC.

Notes to Consolidated Financial Statements June 30, 2020 and 2019

NOTE G - CONDITIONAL COMMITMENTS 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 breast cancer treatments formulated by the grantor. 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 evaluation of the progress of the selected studies to the satisfaction of the grantor. The Foundation has recognized the entire \$15,000,000 in revenue from this grant; \$5,000,000 in fiscal-year 2016, \$4,503,705 in fiscal-year 2017, \$496,295 in fiscal-year 2018, and \$5,000,000 in fiscal-year 2019 through satisfaction of the requisite conditions.

In December 2017, the Foundation received a conditional grant of \$10,000,000 to establish a second research fund for similar purposes as the first research fund received in December 2015. The Foundation has recognized \$7,000,000 in revenue from this grant; \$2,000,000 and \$5,000,000 in fiscal-years 2019 and 2018, respectively, through satisfaction of the requisite conditions.

In addition, in December 2019, the Foundation received a conditional grant of \$5,000,000 to establish a third research fund for similar purposes. The Foundation has recognized \$500,000 in revenue from this grant in fiscal-year 2020, through satisfaction of the requisite conditions.

No provisions for future amounts that may be received under these agreements have been included in the consolidated financial statements due to the conditional nature of the grants.

NOTE H - DONATED GOODS AND SERVICES

During fiscal-years 2020 and 2019, the Foundation received donated goods and services as follows:

| | Year Ended June 30, | |
|--|------------------------|-------------------|
| | 2020 | 2019 |
| Donated goods: | | |
| Special events - fundraising merchandise | <u>\$ 214,699</u> | <u>\$ 309,806</u> |
| Donated services: | | |
| Legal | 308,111 | 316,711 |
| Scientific advisory committee | <u>211,000</u> | <u>201,000</u> |
| Total donated services | <u>519,111</u> | <u>517,711</u> |
| Total donated goods and services | <u>\$ 733,810</u> | <u>\$ 827,517</u> |

Other donated goods and services:

(i) *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 \$369,000 for both fiscal-years 2020 and 2019, respectively, do not meet the criteria for revenue recognition. Accordingly, the values of the PSAs have not been reported in the consolidated financial statements.

THE BREAST CANCER RESEARCH FOUNDATION, INC.

Notes to Consolidated Financial Statements June 30, 2020 and 2019

NOTE H - DONATED GOODS AND SERVICES (CONTINUED)

Other donated goods and services: (continued)

(ii) *Other:*

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 consolidated financial statements, as it does not meet the criteria for recognition under generally accepted accounting principles.

NOTE I - THE ENDOWMENT

[1] **The endowment:**

The Foundation's endowment consists of four 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.

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

NYPMIFA is applicable to all of the Foundation's institutional funds, including its donor-restricted endowment funds. The Board of Directors adheres to NYPMIFA's requirements.

[3] **Endowment net-asset composition by type of fund, at each fiscal year-end:**

| | June 30, 2020 | | |
|---------------------------------|---|---|---------------------|
| | <u>Amounts Subject to Appropriation</u> | <u>Amounts Held in Perpetuity</u> | <u>Total</u> |
| Donor-restricted endowment fund | <u>\$ 136,196</u> | <u>\$ 6,675,000</u> | <u>\$ 6,811,196</u> |

| | June 30, 2019 | | |
|---------------------------------|---|---|---------------------|
| | <u>Amounts Subject to Appropriation</u> | <u>Amounts Held in Perpetuity</u> | <u>Total</u> |
| Donor-restricted endowment fund | <u>\$ 219,907</u> | <u>\$ 6,550,000</u> | <u>\$ 6,769,907</u> |

THE BREAST CANCER RESEARCH FOUNDATION, INC.

**Notes to Consolidated Financial Statements
June 30, 2020 and 2019**

NOTE I - THE ENDOWMENT (CONTINUED)

[4] Changes in the endowment during each fiscal year:

| | June 30, 2020 | | |
|--|---|---|----------------------------|
| | With Donor Restrictions | | |
| | Amounts Subject to Appropriation | Amounts Held in Perpetuity | Total |
| Endowment net assets, beginning of year (including pledge receivable of \$250,000) | \$ 219,907 | \$ 6,550,000 | \$ 6,769,907 |
| Contributions | - | 125,000 | 125,000 |
| Investment income, net | 215,585 | - | 215,585 |
| Net appreciation (realized and and unrealized) | 20,704 | - | 20,704 |
| Appropriation of endowment assets for expenditure | <u>(320,000)</u> | <u>-</u> | <u>(320,000)</u> |
| Endowment net assets, end of year | <u>\$ 136,196</u> | <u>\$ 6,675,000</u> | <u>\$ 6,811,196</u> |

| | June 30, 2019 | | |
|--|---|---|----------------------------|
| | With Donor Restrictions | | |
| | Amounts Subject to Appropriation | Amounts Held in Perpetuity | Total |
| Endowment net assets, beginning of year | \$ 156,804 | \$ 6,550,000 | \$ 6,706,804 |
| Investment income, net | 76,969 | - | 76,969 |
| Net appreciation (realized and unrealized) | 301,134 | - | 301,134 |
| Appropriation of endowment assets for expenditure | <u>(315,000)</u> | <u>-</u> | <u>(315,000)</u> |
| Endowment net assets, end of year (including pledge receivable of \$250,000) | <u>\$ 219,907</u> | <u>\$ 6,550,000</u> | <u>\$ 6,769,907</u> |

[5] 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.

[6] Strategies employed for achieving objectives:

To satisfy its long-term rate-of-return objectives, the Foundation's Board of Directors 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).

THE BREAST CANCER RESEARCH FOUNDATION, INC.

Notes to Consolidated Financial Statements June 30, 2020 and 2019

NOTE I - THE ENDOWMENT (CONTINUED)

[7] Spending policy:

The Foundation's Board of Directors 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 Board'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. During both fiscal-years 2020 and 2019, the spend rate was 5% to ensure compliance with the spending requirements of the underlying gift agreements.

[8] Funds with deficiencies:

Due to unfavorable market fluctuations, from time-to-time the fair value of assets associated with individual donor-restricted endowment funds may decline below the historical dollar value of the donor's original restricted contribution, or the amount required to be maintained under state law, referred to as underwater endowment. Under the terms of NYPMIFA, the Foundation has no responsibility to restore such decreases in value. At June 30, 2020, and 2019, there were no deficiencies of this nature.

NOTE J - RELATED-PARTY TRANSACTIONS

[1] Fund-raising:

One 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 to the Foundation and held various fund-raising events for the benefit of the Foundation. For fiscal-years 2020 and 2019, the Foundation recognized contribution revenue from the corporation of approximately \$6,994,000 and \$8,224,000, respectively. During fiscal-years 2020 and 2019, certain executives and a Board member of this corporation also made personal contributions to the Foundation of approximately \$1,630,000 and \$1,507,000, respectively. Additionally, during fiscal-years 2020 and 2019, the corporation donated items to be given away during the Foundation's fund-raising events valued at approximately \$46,000 and \$96,000, respectively.

[2] Operating expenses:

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 2020 and 2019, these reimbursements approximated \$9,413,000 and \$7,932,000, respectively. At June 30, 2020 and 2019, the total amount advanced to the corporation for future costs was approximately \$411,000 and \$465,000, respectively, and is included in prepaid expenses in the accompanying consolidated statements of financial position.

[3] Employee-benefit plans:

The employees of the Foundation who are affiliated with the corporation participate in the corporation's defined-contribution retirement plan, formed under 401(k) of the Code, as well as The Retirement Growth Account Plan formed under Section 401(a) of the Code, both of which cover all employees who meet the eligibility requirements. The Retirement Growth Plan is a non-contributory plan whereby eligible employees accrue a percentage of their compensation, based on their years of service in the plan. The Foundation's contributions to these plans for fiscal-years 2020 and 2019 were approximately \$443,000 and \$371,000, respectively.

THE BREAST CANCER RESEARCH FOUNDATION, INC.

Notes to Consolidated Financial Statements June 30, 2020 and 2019

NOTE K - COMMITMENTS AND OTHER UNCERTAINTY

[1] Lease obligations:

The Foundation leases office space under a non-cancelable operating lease agreement which ends on December 31, 2022. In January 2018, the Foundation leased new office space with an expiration period of June 2022. During fiscal-year 2019, the Foundation entered into a sublease agreement for part of its original space expiring December 2022. The revenue related to this agreement is included in accompanying consolidated statements of activities. Additionally, the Foundation leases storage space on a month-to-month basis.

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

| <u>Year Ending June 30,</u> | <u>Amount</u> |
|---------------------------------|---------------------|
| 2021 | \$ 922,000 |
| 2022 | 880,000 |
| 2023 | <u>146,000</u> |
| | <u>\$ 1,948,000</u> |

Rent expense (including tax and operating escalation charges) was approximately \$1,266,000 and \$1,194,000 in fiscal-years 2020 and 2019, 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 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 expenses in the 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.

[5] Other uncertainty:

The extent of the impact of the coronavirus ("COVID-19") outbreak on the operational and financial performance of the Foundation will depend on the continued future developments, including the duration and spread of the outbreak and related travel advisories and restrictions and the impact of COVID-19 on the overall availability of contributions towards the Foundation's programs, all of which are highly uncertain and cannot be predicted. If contributions towards the Foundation's programs are impacted for an extended period, results of operations may be materially adversely affected.

The Foundation retained over \$18 million in net income in FY2020 to provide additional fiscal support to offset the potential impact of COVID-19 on the Foundation's operations.

THE BREAST CANCER RESEARCH FOUNDATION, INC.

**Notes to Consolidated Financial Statements
June 30, 2020 and 2019**

NOTE L - PPP LOAN PAYABLE

On May 1, 2020, the Foundation received \$1,272,100 in funds from the PPP and is reported as a PPP loan payable on the consolidated statements of financial position as of June 30, 2020. Neither principal nor interest is due for a ten-month deferral period from the last day of the Foundation’s covered period, which is October 15, 2021. This loan may be forgiven subject to bank approval in accordance with SBA guidelines. Any outstanding principle of the loan that is not forgiven under the PPP Loan program at the end of the ten-month deferral period will convert to a term loan with an interest rate of 0.98% payable in equal installments of principle and interest over the next twenty-four months, beginning in February 2021. The loan matures on May 1, 2022. The Foundation is in the process of applying for forgiveness.

Until determination of forgiveness, the scheduled future principle maturities as of June 30, 2020 are as follows:

| <u>Year Ending June 30,</u> | <u>Amount</u> |
|---------------------------------|---------------------|
| 2021 | \$ - |
| 2022 | <u>1,272,100</u> |
| Total | <u>\$ 1,272,100</u> |

NOTE M - CONCENTRATION OF CREDIT RISK

The Foundation maintains its cash and cash equivalents 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 that might result from the failure of these financial institutions.

THE BREAST CANCER RESEARCH FOUNDATION, INC.

Notes to Consolidated Financial Statements June 30, 2020 and 2019

NOTE N - LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Foundation's financial assets available for general expenditure (which includes scheduled grant payments) as of the statements of financial position date, reduced by amounts not available for general use within one year because of donor-imposed restrictions or internal designations:

| | <u>June 30,</u> | |
|--|----------------------|----------------------|
| | <u>2020</u> | <u>2019</u> |
| Cash and cash equivalents | \$ 42,399,122 | \$ 36,648,761 |
| Pledge receivables, net | 8,098,534 | 13,965,082 |
| Other receivables | 252,842 | 339,453 |
| Investments | <u>55,552,833</u> | <u>58,493,942</u> |
| Total financial assets available within one year | <u>106,303,331</u> | <u>109,447,238</u> |
| Less: | | |
| Amounts unavailable for general expenditures within one year, due to: | | |
| Restrictions by donors with purpose restrictions | (4,456,500) | (1,419,656) |
| Restrictions by donors for future periods | (1,910,905) | (3,473,822) |
| Restricted by donors that are perpetual in nature | (6,675,000) | (6,550,000) |
| Internal designation by the Board of Directors | <u>(558,204)</u> | <u>(543,041)</u> |
| Total amounts unavailable for general expenditure within one year | <u>(13,600,609)</u> | <u>(11,986,519)</u> |
| Total financial assets available to meet cash needs for general expenditures within one year | <u>\$ 92,275,868</u> | <u>\$ 97,460,719</u> |

Liquidity policy:

The Foundation's fiscal policies are structured to ensure that sufficient financial assets are available as its general expenditures, liabilities, and other obligations come due. The Foundation meets this objective primarily through its current policy to approve research grants for funding after the funds have been raised as well as maintaining a minimum of one year of operating (non-grant) expenses in reserves. The Foundation maintains a significant balance of cash and cash equivalents at each fiscal-year end due to funding requirements of committed research payments that are to be paid soon after each fiscal year-end. Amounts not available include amounts set aside by the Board of Directors that could be drawn upon if the Board of Directors approves the action.