

**EISNERAMPER**

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

**CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2019 and 2018**

EISNERAMPER  
LLP



## 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 comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

#### *Management's Responsibility for the Consolidated Financial Statements*

The Foundation's management is responsible for the preparation and fair presentation of these 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.

#### *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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the organization's preparation and fair presentation of the financial statements, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the 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, 2019 and 2018, 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.



EISNERAMPER LLP  
New York, New York  
November 18, 2019



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

**Consolidated Statements of Financial Position**

	<b>June 30,</b>	
	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 36,648,761	\$ 16,694,163
Pledges receivable, net	13,965,082	24,452,271
Other receivables	339,453	485,784
Investments	58,493,942	62,283,942
Prepaid expenses	642,455	700,784
Property and equipment, net	511,287	218,663
Security deposits	258,220	140,602
	<u>\$ 110,859,200</u>	<u>\$ 104,976,209</u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 732,235	\$ 603,965
Grants payable	83,150,961	76,639,905
	<u>83,883,196</u>	<u>77,243,870</u>
Commitments (Notes F and J)		
<b>NET ASSETS</b>		
Without donor restrictions:		
Undesignated – available for operations	14,989,485	12,707,370
Board-designated: Founder's Fund	543,041	4,402,079
Total without donor restrictions	<u>15,532,526</u>	<u>17,109,449</u>
With donor restrictions:		
Purpose restrictions	1,419,656	2,202,515
Time restricted for future periods	3,473,822	1,870,375
Perpetual in nature	6,550,000	6,550,000
Total net assets with donor restrictions	<u>11,443,478</u>	<u>10,622,890</u>
Total net assets	<u>26,976,004</u>	<u>27,732,339</u>
	<u>\$ 110,859,200</u>	<u>\$ 104,976,209</u>

See notes to the consolidated financial statements.

# THE BREAST CANCER RESEARCH FOUNDATION, INC.

## Consolidated Statement of Activities Year Ended June 30, 2019

(with summarized financial information from 2018)

	Without Donor Restrictions			With Donor Restrictions				Total		
	Undesignated	Board-Designated Founder's Fund	Total Without Donor Restrictions	Research Grants	Founder's Fund	Time-restricted for Future Periods	Perpetual in Nature	Total With Donor Restrictions	2019	2018
<b>Operating activities:</b>										
<b>Public support and revenue:</b>										
Contributions (including in-kind contributions of \$828,000 and \$1,420,000 in fiscal-years 2019 and 2018, respectively)	\$ 60,008,803	\$ 3,000	\$ 60,011,803	\$ 956,103		\$ 3,473,822		\$ 4,429,925	\$ 64,441,728	\$ 67,171,318
Special events, net of direct benefit to contributors of \$3,451,974 and \$3,508,034 in fiscal-years 2019 and 2018, respectively	13,416,701		13,416,701						13,416,701	12,824,735
Total public support and revenue	73,425,504	3,000	73,428,504	956,103		3,473,822		4,429,925	77,858,429	79,996,053
<b>Expenses:</b>										
Program services	67,637,604	4,091,852	71,729,456						71,729,456	68,341,530
Management and general	3,221,255		3,221,255						3,221,255	2,881,134
Fund-raising	7,691,553		7,691,553						7,691,553	6,882,484
Total expenses	78,550,412	4,091,852	82,642,264						82,642,264	78,105,148
(Deficiency) excess of operating revenue over expenses before net assets released from restrictions	(5,124,908)	(4,088,852)	(9,213,760)	956,103		3,473,822		4,429,925	(4,783,835)	1,890,905
Net assets released from restrictions	3,892,512	94,928	3,987,440	(2,022,137)	\$ (94,928)	(1,870,375)		(3,987,440)	0	0
(Deficiency) excess of operating activities support and revenue over expenses	(1,232,396)	(3,993,924)	(5,226,320)	(1,066,034)	(94,928)	1,603,447		442,485	(4,783,835)	1,890,905
<b>Non-operating activities:</b>										
Net investment income	2,956,130	134,886	3,091,016	378,103				378,103	3,469,119	2,442,138
Grant refunds	503,407		503,407						503,407	459,613
Foreign currency losses	(31,118)		(31,118)						(31,118)	(34,550)
Royalties and other income	86,092		86,092						86,092	49,545
<b>Change in net assets</b>	2,282,115	(3,859,038)	(1,576,923)	(687,931)	(94,928)	1,603,447		820,588	(756,335)	4,807,651
Net assets, beginning of year	12,707,370	4,402,079	17,109,449	1,910,997	291,518	1,870,375	\$ 6,550,000	10,622,890	27,732,339	22,924,688
<b>Net assets, end of year</b>	\$ 14,989,485	\$ 543,041	\$ 15,532,526	\$ 1,223,066	\$ 196,590	\$ 3,473,822	\$ 6,550,000	\$ 11,443,478	\$ 26,976,004	\$ 27,732,339

See notes to the consolidated financial statements.

# THE BREAST CANCER RESEARCH FOUNDATION, INC.

## Consolidated Statement of Activities Year Ended June 30, 2018

	Without Donor Restrictions			With Donor Restrictions				Total With Donor Restrictions	Total
	Undesignated	Board- Designated Founder's Fund	Total Without Donor Restrictions	Research Grants	Founder's Fund	Time-restricted for Future Periods	Perpetual in Nature		
<b>Operating activities:</b>									
<b>Public support and revenue:</b>									
Contributions (including in-kind contributions of \$1,420,000)	\$ 64,546,600	\$ 150	\$64,546,750	\$ 754,193		\$ 1,870,375		\$ 2,624,568	\$ 67,171,318
Special events, net of direct benefit to contributors of \$3,508,034	12,824,735		12,824,735						12,824,735
Total public support and revenue	<u>77,371,335</u>	<u>150</u>	<u>77,371,485</u>	<u>754,193</u>		<u>1,870,375</u>		<u>2,624,568</u>	<u>79,996,053</u>
<b>Expenses:</b>									
Program services	66,591,530	1,750,000	68,341,530						68,341,530
Management and general	2,881,134		2,881,134						2,881,134
Fund-raising	6,882,484		6,882,484						6,882,484
Total expenses	<u>76,355,148</u>	<u>1,750,000</u>	<u>78,105,148</u>						<u>78,105,148</u>
Excess (deficiency) of operating revenue over expenses before net assets released from restrictions	1,016,187	(1,749,850)	(733,663)	754,193		1,870,375		2,624,568	1,890,905
Net assets released from restrictions	<u>1,880,204</u>	<u>108,482</u>	<u>1,988,686</u>	<u>(1,880,204)</u>	<u>\$ (108,482)</u>			<u>(1,988,686)</u>	<u>0</u>
Excess (deficiency) of operating activities support and revenue over expenses	2,896,391	(1,641,368)	1,255,023	(1,126,011)	(108,482)	1,870,375		635,882	1,890,905
<b>Non-operating activities:</b>									
Net investment income	1,663,096	307,238	1,970,334	471,804				471,804	2,442,138
Grant refunds	459,613		459,613						459,613
Foreign currency losses	(34,550)		(34,550)						(34,550)
Royalties	49,545		49,545						49,545
<b>Change in net assets</b>	5,034,095	(1,334,130)	3,699,965	(654,207)	(108,482)	1,870,375		1,107,686	4,807,651
Net assets, beginning of year	<u>7,673,275</u>	<u>5,736,209</u>	<u>13,409,484</u>	<u>2,565,204</u>	<u>400,000</u>	<u>0</u>	<u>\$ 6,550,000</u>	<u>9,515,204</u>	<u>22,924,688</u>
<b>Net assets, end of year</b>	<u>\$ 12,707,370</u>	<u>\$ 4,402,079</u>	<u>\$17,109,449</u>	<u>\$ 1,910,997</u>	<u>\$ 291,518</u>	<u>\$ 1,870,375</u>	<u>\$ 6,550,000</u>	<u>\$ 10,622,890</u>	<u>\$ 27,732,339</u>

See notes to the consolidated financial statements.

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

**Consolidated Statement of Functional Expenses**  
**Year Ended June 30, 2019**  
(with summarized financial information from 2018)

	Program Services: Research	Supporting Services			Total	
		Management and General	Fund-raising	Total Supporting Services	2019	2018
Grants awarded	\$ 61,908,148				\$ 61,908,148	\$ 61,250,000
Founder's Fund grants awarded	4,091,852				4,091,852	1,750,000
Special events:						
Direct event costs			\$ 3,451,974	\$ 3,451,974	3,451,974	3,508,034
Printing, postage and office expenses			597,257	597,257	597,257	363,889
Event management and production			562,698	562,698	562,698	249,599
Other			309,806	309,806	309,806	327,044
Salaries and employee benefits	2,644,146	\$ 1,372,268	3,783,609	5,155,877	7,800,023	7,409,087
Contracted services	1,773,156		855,535	855,535	2,628,691	2,025,578
Conferences and meetings	555,643				555,643	473,857
Professional fees		783,009	718,766	1,501,775	1,501,775	2,095,152
Rent	359,669	344,685	469,568	814,253	1,173,922	824,629
Telephone		28,343	28,343	56,686	56,686	38,570
Supplies		48,152		48,152	48,152	62,918
Printing, postage and office expenses	367,247	589,135	327,337	916,472	1,283,719	939,063
Change in allowance for uncollectible accounts		15,670		15,670	15,670	250,084
Taxes and licenses		11,632		11,632	11,632	10,995
Total expenses before depreciation and amortization	71,699,861	3,192,894	11,104,889	14,297,783	85,997,673	81,578,499
Depreciation and amortization	29,595	28,361	38,638	66,999	96,594	34,683
Total expenses	71,729,456	3,221,255	11,143,527	14,364,782	86,094,238	81,613,182
Less direct benefit to contributors			(3,451,974)	(3,451,974)	(3,451,974)	(3,508,034)
Total expenses per statement 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>	<u>\$ 78,105,148</u>

See notes to the consolidated financial statements.

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

**Consolidated Statement of Functional Expenses  
Year Ended June 30, 2018**

	Program Services: Research	Supporting Services		Total
		Management and General	Fund-raising	
Grants awarded	\$ 61,250,000			\$ 61,250,000
Founder's Fund grants awarded	1,750,000			1,750,000
Special events:				
Direct event costs			\$ 3,508,034	\$ 3,508,034
Printing, postage and office expenses			363,889	363,889
Event management and production			249,599	249,599
Other			327,044	327,044
Salaries and employee benefits	2,570,575	\$ 1,261,756	3,576,756	4,838,512
Contracted services	1,162,304		863,274	863,274
Conferences and meetings	473,857			
Professional fees	675,505	487,141	932,506	1,419,647
Rent	243,553	241,635	339,441	581,076
Telephone		19,285	19,285	38,570
Supplies		62,918		62,918
Printing, postage and office expenses	205,492	537,157	196,414	733,571
Change in allowance for uncollectible accounts		250,084		250,084
Taxes and licenses		10,995		10,995
Total expenses before depreciation and amortization	68,331,286	2,870,971	10,376,242	13,247,213
Depreciation and amortization	10,244	10,163	14,276	24,439
Total expenses	68,341,530	2,881,134	10,390,518	13,271,652
Less direct benefit to contributors			(3,508,034)	(3,508,034)
Total expenses per statement of activities	<u>\$ 68,341,530</u>	<u>\$ 2,881,134</u>	<u>\$ 6,882,484</u>	<u>\$ 9,763,618</u>

See notes to the consolidated financial statements.

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

**Consolidated Statements of Cash Flows**

	Year Ended June 30,	
	<u>2019</u>	<u>2018</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (756,335)	\$ 4,807,651
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	96,594	34,683
Unrealized gains on investments	(1,259,792)	(2,312,281)
Realized (gains) losses on investments	(641,951)	127,946
Change in allowance for uncollectible accounts	15,670	250,084
Changes in:		
Pledges receivable, net	10,471,519	(10,569,000)
Other receivables	146,331	(164,421)
Prepaid expenses	58,329	(219,701)
Security deposits	(177,618)	(100,541)
Accounts payable and accrued expenses	128,270	151,991
Grants payable	<u>6,511,056</u>	<u>8,244,430</u>
Net cash provided by operating activities	<u>14,652,073</u>	<u>250,841</u>
<b>Cash flows from investing activities:</b>		
Proceeds from sales of investments	53,598,204	28,254,663
Purchases of investments	(47,906,461)	(25,529,834)
Purchases of property and equipment	<u>(389,218)</u>	<u>(173,474)</u>
Net cash provided by investing activities	<u>5,302,525</u>	<u>2,551,355</u>
<b>Net increase in cash and cash equivalents</b>	<b>19,954,598</b>	<b>2,802,196</b>
Cash and cash equivalents, beginning of year	<u>16,694,163</u>	<u>13,891,967</u>
<b>Cash and cash equivalents, end of year</b>	<b><u>\$ 36,648,761</u></b>	<b><u>\$ 16,694,163</u></b>
<b>Supplemental disclosure of cash flow information:</b>		
Noncash donations of goods and services	<u>\$ 828,000</u>	<u>\$ 1,420,000</u>

See notes to the consolidated financial statements.



# THE BREAST CANCER RESEARCH FOUNDATION, INC.

## Notes to Consolidated Financial Statements June 30, 2019 and 2018

### 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 financial statements.

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.

#### [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 BREAST CANCER RESEARCH FOUNDATION, INC.

## Notes to Consolidated Financial Statements June 30, 2019 and 2018

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

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

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.

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 statements of cash flows, donated securities and the proceeds generated from their sale are included 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, 2019 and 2018, 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] 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.

## THE BREAST CANCER RESEARCH FOUNDATION, INC.

### Notes to Consolidated Financial Statements June 30, 2019 and 2018

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

##### [8] Grants payable:

The Foundation records awards of 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 2019 and 2018, and accordingly, both the research grants and the Founder's Fund grants are payable in the subsequent fiscal 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.

##### [9] 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, except for amounts set aside by the Board of Directors 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 the passage of time. Also included in 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 statements of activities as "net assets released from restrictions."

##### [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 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, 2019 and 2018

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

#### [10] 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 cost of the benefit received by the attendee at the event (referred to as "direct benefit to contributors" within the statements of activities and functional expenses). Special event income is reported net of direct benefit to contributors. Special event revenues, other than contributions, applicable to a current year recognized as revenue in the year a special event takes place.

(iii) *Donated goods and services:*

For recognition of donated goods and services in the Foundation's consolidated 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 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 G).

#### [11] 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, as well as royalties, are recognized as part of the Foundation's non-operating activities.

#### [12] 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 statements of activities. The 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 have been allocated on the basis of time among employees.

#### [13] Income tax uncertainties:

The Foundation is subject to the provisions of the Financial Accounting Standards Board's (the "FASB") Accounting Standards Codification ("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, 2019 and 2018

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

#### [14] Adoption of 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 amends certain financial-statement presentations and disclosures. ASU 2016-14 includes qualitative and quantitative requirements in the following areas: (i) net asset classifications, (ii) investment returns, (iii) expense categorizations, and (iv) liquidity and availability of resources. ASU 2016-04 was effective for annual reporting periods beginning after December 15, 2017. Accordingly, the Foundation was required to adopt ASU 2016-14 for its fiscal year-ended June 30, 2019, which under U.S. GAAP was a change in accounting principle requiring retroactive application in the consolidated financial statements of certain areas whereas other areas are to be adopted on a prospective basis. Although the Foundation's adoption of ASU 2016-14 had no effect on the Foundation's total net assets or its changes in net assets for fiscal-years 2019 and 2018, certain reclassifications were required. Accordingly, the Foundation changed its presentation of its net assets classes and expanded certain footnote disclosures.

#### [15] Subsequent events:

The Foundation has evaluated subsequent events through November 18, 2019, the date on which the consolidated financial statements were available to be issued.

### 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,	
	2019	2018
Less than one year	\$ 13,557,090	\$ 24,120,799
Two to five years	<u>970,417</u>	<u>970,417</u>
	<b>14,527,507</b>	25,091,216
Reduction of pledges due in excess of one year to present value, using discount rates ranging from 1.75% - 2.36%	<b>(337,425)</b>	(342,945)
Less allowance for doubtful collections	<u>(225,000)</u>	<u>(296,000)</u>
	<b><u>\$ 13,965,082</u></b>	<b><u>\$ 24,452,271</u></b>

The Foundation wrote-off uncollectible pledges receivable of approximately \$87,000 against its allowance in fiscal-year 2019. There were no such write-offs during fiscal-year 2018.

# THE BREAST CANCER RESEARCH FOUNDATION, INC.

## Notes to Consolidated Financial Statements June 30, 2019 and 2018

### NOTE B - PLEDGES AND OTHER RECEIVABLES (CONTINUED)

#### [2] 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 FY2019.

Additionally, 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. 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.

#### [3] 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,			
	2019		2018	
	Fair Value	Cost	Fair Value	Cost
Cash and cash equivalents	\$ 5,548,134	\$ 5,548,134	\$ 1,896,674	\$ 1,896,674
Equity securities	20,197,325	18,000,000	21,594,411	20,055,661
Corporate bonds	12,070,262	12,261,440	19,227,970	19,830,400
U.S. government bonds	3,990,143	3,936,549	3,372,121	3,426,073
Fixed-income mutual fund	16,688,078	16,627,787	16,192,766	16,214,894
	<u>\$ 58,493,942</u>	<u>\$ 56,373,910</u>	<u>\$ 62,283,942</u>	<u>\$ 61,423,702</u>

At June 30, 2019, concentrations of the Foundation's investments in excess of 10% of the fair value of its portfolio included approximately 29% and 26% invested in a fixed-income mutual fund for the fiscal-years ended June 2019 and 2018, respectively.

# THE BREAST CANCER RESEARCH FOUNDATION, INC.

## Notes to Consolidated Financial Statements June 30, 2019 and 2018

### NOTE C - INVESTMENTS (CONTINUED)

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

	Year Ended June 30,	
	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 1,674,230	\$ 382,068
Realized gains (losses)	641,951	(127,946)
Unrealized gains	1,259,792	2,312,281
Investment advisory fees	<u>(106,854)</u>	<u>(124,265)</u>
	<u>\$ 3,469,119</u>	<u>\$ 2,442,138</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. For fiscal-years 2019 and 2018, there were no transfers among the fair-value hierarchy levels.

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, 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 bonds	3,990,143		3,990,143
Fixed-income mutual fund	<u>16,688,078</u>		<u>16,688,078</u>
	<u>\$ 46,423,680</u>	<u>\$ 12,070,262</u>	<u>\$ 58,493,942</u>

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

**Notes to Consolidated Financial Statements  
June 30, 2019 and 2018**

**NOTE C - INVESTMENTS (CONTINUED)**

	<b>June 30, 2018</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
Cash and cash equivalents	\$ 1,896,674		\$ 1,896,674
Equity securities	21,594,411		21,594,411
Corporate bonds		\$ 19,227,970	19,227,970
U.S. government bonds	3,372,121		3,372,121
Fixed-income mutual fund	<u>16,192,766</u>		<u>16,192,766</u>
	<u>\$ 43,055,972</u>	<u>\$ 19,227,970</u>	<u>\$ 62,283,942</u>

**NOTE D - PROPERTY AND EQUIPMENT**

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

	<b>June 30,</b>	
	<b>2019</b>	<b>2018</b>
Leasehold improvements	<b>\$ 700,783</b>	\$ 319,902
Furniture and equipment	<u>261,170</u>	<u>252,833</u>
	<b>961,953</b>	572,735
Less accumulated depreciation and amortization	<u>(450,666)</u>	<u>(354,072)</u>
	<u><b>\$ 511,287</b></u>	<u>\$ 218,663</u>

**NOTE E - NET ASSETS WITH DONOR RESTRICTIONS**

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

	<b>June 30,</b>	
	<b>2019</b>	<b>2018</b>
Purpose restrictions:		
Research grants	<b>\$ 1,223,066</b>	\$ 1,910,997
Founder's Fund grants	<u>196,590</u>	<u>291,518</u>
	<u><b>1,419,656</b></u>	<u>2,202,515</u>
Time-restricted for future periods	<u><b>3,473,822</b></u>	<u>1,870,375</u>
Subject to appropriation:		
Accumulated endowment earnings reserved for appropriation	<b>219,907</b>	156,804
Perpetual in nature	<u><b>6,550,000</b></u>	<u>6,550,000</u>
	<u><b>6,769,907</b></u>	<u>6,706,804</u>
	<u><b>\$ 11,663,385</b></u>	<u>\$ 10,622,890</u>



# THE BREAST CANCER RESEARCH FOUNDATION, INC.

## Notes to Consolidated Financial Statements June 30, 2019 and 2018

### NOTE E - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

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

	<u>June 30,</u>	
	<u>2019</u>	<u>2018</u>
Purpose restrictions satisfied as follows:		
Research grants	\$ 2,022,137	\$ 1,880,204
Founder's Fund grants	<u>94,928</u>	<u>108,482</u>
	<u>2,117,065</u>	<u>1,988,686</u>
Time-restrictions satisfied	<u>1,870,375</u>	<u>0</u>
	<u>\$ 3,987,440</u>	<u>\$ 1,988,686</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 \$32,633,000, have been received from inception of the Fund through June 30, 2019. 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 \$740,000 is expected to be fully granted in the next year.

### NOTE G - DONATED GOODS AND SERVICES

During fiscal-years 2019 and 2018, the Foundation received donated goods and services as follows:

	<u>Year Ended</u> <u>June 30,</u>	
	<u>2019</u>	<u>2018</u>
Donated goods:		
Special events - fundraising merchandise	\$ 310,000	\$ 327,000
Donated services:		
Legal	317,000	919,000
Scientific advisory committee	<u>201,000</u>	<u>174,000</u>
Total donated services	<u>518,000</u>	<u>1,093,000</u>
Total donated goods and services	<u>\$ 828,000</u>	<u>\$ 1,420,000</u>

## THE BREAST CANCER RESEARCH FOUNDATION, INC.

### Notes to Consolidated Financial Statements June 30, 2019 and 2018

#### NOTE G - DONATED GOODS AND SERVICES (CONTINUED)

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 and \$995,000 for fiscal-years 2019 and 2018, respectively, do not meet the criteria for revenue recognition. Accordingly, the values of the PSAs have not been reported in the consolidated financial statements.

(ii) *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 consolidated financial statements.

(iii) *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 H - THE ENDOWMENT

**[1] The endowment:**

The Foundation's endowment consists of three 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.

# THE BREAST CANCER RESEARCH FOUNDATION, INC.

## Notes to Consolidated Financial Statements June 30, 2019 and 2018

### NOTE H - THE ENDOWMENT (CONTINUED)

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

	June 30,	
	<u>2019</u>	<u>2018</u>
Endowment net assets	<u>\$ 6,706,804</u>	<u>\$ 6,550,000</u>
Investment return:		
Investment income, net	76,969	160,490
Net appreciation (realized and unrealized)	<u>301,134</u>	<u>311,314</u>
Total investment return	<u>378,103</u>	<u>471,804</u>
Appropriation of endowment asset for expenditure	<u>(315,000)</u>	<u>(315,000)</u>
Endowment net assets	<u>\$ 6,769,907</u>	<u>\$ 6,706,804</u>

At June 30, 2019 and 2018, endowment net assets includes a pledge receivable of \$250,000, respectively.

#### [4] 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.

#### [5] 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).

#### [6] 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. During both fiscal-years 2019 and 2018, the spend rate was 5% of the corpus to ensure compliance with the spending requirements of the underlying gift agreements.

#### [7] 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, contributions that are perpetual in nature. Under the terms of NYPMIFA, the Foundation has no responsibility to restore such decrease in value. In fiscal years 2019 and 2018, there were no such deficiencies.

# THE BREAST CANCER RESEARCH FOUNDATION, INC.

## Notes to Consolidated Financial Statements June 30, 2019 and 2018

### NOTE I - 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 2019 and 2018, the Foundation recognized contribution revenue from the corporation of approximately \$8,224,000 and \$7,580,000, respectively. During fiscal-years 2019 and 2018, certain executives and a Board member of this corporation also made personal contributions to the Foundation of approximately \$1,507,000 and \$300,000, respectively. Additionally, during fiscal-years 2019 and 2018, the corporation donated items to be given away during the Foundation's fund-raising events valued at approximately \$96,000 and \$89,000, 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 2019 and 2018, these reimbursements approximated \$7,932,000 and \$7,502,000, respectively. At June 30, 2019 and 2018, the total amount advanced to the corporation for future costs was approximately \$465,000 and \$442,000, 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 2019 and 2018 were approximately \$371,000 and \$353,000, respectively.

### NOTE J - COMMITMENTS

#### [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 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>
2020	\$ 906,000
2021	922,000
2022	880,000
2023	<u>146,000</u>
	<u>\$ 2,854,000</u>

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

### **Notes to Consolidated Financial Statements June 30, 2019 and 2018**

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

##### **[2] Lease obligations: (continued)**

Rent expense (including tax and operating escalation charges) was approximately \$1,194,000 and \$825,000 in fiscal-years 2019 and 2018, respectively.

##### **[3] 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.

##### **[4] 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.

##### **[5] 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 K - 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, 2019 and 2018

### NOTE L - LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Foundation's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of June 30, 2019 because of donor-imposed restrictions or internal designations.

The Foundation's financial assets available for general use within one year of the statements of financial position date for general expenditure (including scheduled grant payments) are as follows:

Cash and cash equivalents	\$ 36,648,761
Pledge receivables	13,965,082
Other receivables	339,453
Investments	<u>58,493,942</u>
 Total financial assets available within one year	 <u>109,447,238</u>
 Less:	
Amounts unavailable for general expenditures within one year, due to:	
Restrictions by donors with purpose restrictions	(1,419,656)
Restrictions by donors for future periods	(3,285,748)
Restricted by donors that are perpetual in nature	(6,550,000)
Internal designation by the Board of Directors	<u>(543,041)</u>
 Total amounts unavailable for general expenditure within one year	 <u>(11,798,445)</u>
 Total financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 97,648,793</u>

#### Liquidity policy:

The Foundation's fiscal policies are structure 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. 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.