

EISNERAMPER

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

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018 and 2017



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, 2018 and 2017, 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, 2018 and 2017, 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 15, 2018



THE BREAST CANCER RESEARCH FOUNDATION, INC.

Consolidated Statements of Financial Position

	June 30,	
	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 16,694,163	\$ 13,891,967
Pledges receivable, net	24,452,271	14,133,355
Investments	62,283,942	62,824,436
Other receivables	485,784	321,363
Prepaid expenses	700,784	481,083
Property and equipment, net	218,663	79,872
Security deposits	<u>140,602</u>	<u>40,061</u>
	<u>\$ 104,976,209</u>	<u>\$ 91,772,137</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 603,965	\$ 451,974
Grants payable	<u>76,639,905</u>	<u>68,395,475</u>
	<u>77,243,870</u>	<u>68,847,449</u>
Commitments (Notes F and J)		
NET ASSETS		
Unrestricted:		
Undesignated	12,707,370	7,673,275
Board-designated: Founder's Fund	<u>4,402,079</u>	<u>5,736,209</u>
Total unrestricted	<u>17,109,449</u>	<u>13,409,484</u>
Temporarily restricted:		
Research grants	1,910,997	2,565,204
Founder's Fund	291,518	400,000
Time-restricted for future periods	<u>1,870,375</u>	<u>0</u>
	<u>4,072,890</u>	<u>2,965,204</u>
Permanently restricted	<u>6,550,000</u>	<u>6,550,000</u>
	<u>27,732,339</u>	<u>22,924,688</u>
	<u>\$ 104,976,209</u>	<u>\$ 91,772,137</u>

See notes to the consolidated financial statements.

THE BREAST CANCER RESEARCH FOUNDATION, INC.

Consolidated Statement of Activities Year Ended June 30, 2018

(with summarized financial information from 2017)

	Unrestricted			Research Grants	Temporarily Restricted			Total		
	Undesignated	Board-Designated	Total Unrestricted		Founder's Fund	Time-restricted for future periods	Total Temporarily Restricted	Permanently Restricted	2018	2017
		Founder's Fund								
Operating activities:										
Public support and revenue:										
Contributions	\$ 64,546,600	\$ 150	\$64,546,750	\$ 754,193	\$ 1,870,375	\$ 2,624,568		\$ 67,171,318	\$ 57,787,246	
Special events, net of direct benefit to contributors of \$3,508,034 and \$3,078,589 in 2018 and 2017, respectively	12,824,735		12,824,735					12,824,735	13,981,312	
Total public support and revenue	77,371,335	150	77,371,485	754,193	1,870,375	2,624,568		79,996,053	71,768,558	
Expenses:										
Program services	66,591,530	1,750,000	68,341,530					68,341,530	63,906,446	
Management and general	2,881,134		2,881,134					2,881,134	2,322,210	
Fund-raising	6,882,484		6,882,484					6,882,484	6,437,289	
Total expenses	76,355,148	1,750,000	78,105,148					78,105,148	72,665,945	
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	(897,387)	
Net assets released from restrictions	1,880,204	108,482	1,988,686	(1,880,204)	\$ (108,482)	(1,988,686)		0	0	
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	(897,387)	
Non-operating activities:										
Net investment income	1,663,096	307,238	1,970,334	471,804		471,804		2,442,138	1,748,392	
Grant refunds	459,613		459,613					459,613	246,344	
Foreign currency losses	(34,550)		(34,550)					(34,550)	(37,766)	
Royalties	49,545		49,545					49,545		
Change in net assets	5,034,095	(1,334,130)	3,699,965	(654,207)	(108,482)	1,870,375	1,107,686	4,807,651	1,059,583	
Net assets, beginning of year	7,673,275	5,736,209	13,409,484	2,565,204	400,000	0	2,965,204	\$ 6,550,000	22,924,688	
Net assets, end of year	\$ 12,707,370	\$ 4,402,079	\$17,109,449	\$ 1,910,997	\$ 291,518	\$ 1,870,375	\$ 4,072,890	\$ 6,550,000	\$ 27,732,339	\$ 22,924,688

See notes to the consolidated financial statements.

THE BREAST CANCER RESEARCH FOUNDATION, INC.

Consolidated Statement of Activities Year Ended June 30, 2017

	Unrestricted			Temporarily Restricted				Total
	Undesignated	Board-Designated Founder's Fund	Total Unrestricted	Research Grants	Founder's Fund	Total Temporarily Restricted	Permanently Restricted	
Operating activities:								
Public support and revenue:								
Contributions	\$ 50,671,930	\$ 133,446	\$ 50,805,376	\$ 1,981,870		\$ 1,981,870	\$ 5,000,000	\$ 57,787,246
Special events, net of direct benefit to contributors of \$3,078,589	<u>13,981,312</u>	<u> </u>	<u>13,981,312</u>	<u> </u>		<u> </u>	<u> </u>	<u>13,981,312</u>
Total public support and revenue	<u>64,653,242</u>	<u>133,446</u>	<u>64,786,688</u>	<u>1,981,870</u>		<u>1,981,870</u>	<u>5,000,000</u>	<u>71,768,558</u>
Expenses:								
Program services	60,906,446	3,000,000	63,906,446					63,906,446
Management and general	2,322,210		2,322,210					2,322,210
Fund-raising	<u>6,437,289</u>	<u> </u>	<u>6,437,289</u>					<u>6,437,289</u>
Total expenses	<u>69,665,945</u>	<u>3,000,000</u>	<u>72,665,945</u>					<u>72,665,945</u>
(Deficiency) excess of operating revenue over expenses before net assets released from restrictions	(5,012,703)	(2,866,554)	(7,879,257)	1,981,870		1,981,870	5,000,000	(897,387)
Net assets released from restrictions	<u>769,576</u>	<u>100,000</u>	<u>869,576</u>	<u>(769,576)</u>	<u>\$ (100,000)</u>	<u>(869,576)</u>	<u> </u>	<u>0</u>
(Deficiency) excess of operating activities support and revenue over expenses	(4,243,127)	(2,766,554)	(7,009,681)	1,212,294	(100,000)	1,112,294	5,000,000	(897,387)
Non-operating activities:								
Net investment gains	1,315,556	397,070	1,712,626	35,766		35,766		1,748,392
Grant refunds	246,344		246,344					246,344
Foreign currency loss	<u>(37,766)</u>	<u> </u>	<u>(37,766)</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>(37,766)</u>
Change in net assets	(2,718,993)	(2,369,484)	(5,088,477)	1,248,060	(100,000)	1,148,060	5,000,000	1,059,583
Net assets, beginning of year	<u>10,392,268</u>	<u>8,105,693</u>	<u>18,497,961</u>	<u>1,317,144</u>	<u>500,000</u>	<u>1,817,144</u>	<u>1,550,000</u>	<u>21,865,105</u>
Net assets, end 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>\$ 2,965,204</u>	<u>\$ 6,550,000</u>	<u>\$ 22,924,688</u>

See notes to the consolidated financial statements.

THE BREAST CANCER RESEARCH FOUNDATION, INC.

Consolidated Statement of Functional Expenses

Year Ended June 30, 2018

(with summarized financial information from 2017)

	Supporting Services				Direct Benefit to Contributors	Total	
	Research Program	Management and General	Fund-raising	Total Supporting Services		2018	2017
Grants awarded	\$ 61,250,000					\$ 61,250,000	\$ 56,500,000
Founder's Fund grants awarded	1,750,000					1,750,000	3,000,000
Special events:							
Event costs					\$ 3,508,034	3,508,034	3,078,589
Other			\$ 940,532	\$ 940,532		940,532	1,238,235
Salaries and employee benefits	2,570,575	\$ 1,261,756	3,576,756	4,838,512		7,409,087	6,763,411
Contracted services	1,162,304		863,274	863,274		2,025,578	1,988,303
Conferences and meetings	473,857					473,857	510,711
Professional fees	675,505	487,141	932,506	1,419,647		2,095,152	1,032,493
Rent	243,553	241,635	339,441	581,076		824,629	503,379
Telephone		19,285	19,285	38,570		38,570	27,837
Supplies		62,918		62,918		62,918	56,939
Printing, postage and office expenses	205,492	537,157	196,414	733,571		939,063	800,954
Change in allowance for uncollectible accounts		250,084		250,084		250,084	201,055
Taxes and licenses		10,995		10,995		10,995	12,150
Total expenses before depreciation and amortization	68,331,286	2,870,971	6,868,208	9,739,179	3,508,034	81,578,499	75,714,056
Depreciation and amortization	10,244	10,163	14,276	24,439		34,683	30,478
Total expenses	68,341,530	2,881,134	6,882,484	9,763,618	3,508,034	81,613,182	75,744,534
Less direct benefit to contributors					(3,508,034)	(3,508,034)	(3,078,589)
	<u>\$ 68,341,530</u>	<u>\$ 2,881,134</u>	<u>\$ 6,882,484</u>	<u>\$ 9,763,618</u>	<u>\$ 0</u>	<u>\$ 78,105,148</u>	<u>\$ 72,665,945</u>

See notes to the consolidated financial statements.

THE BREAST CANCER RESEARCH FOUNDATION, INC.

**Consolidated Statement of Functional Expenses
Year Ended June 30, 2017**

	<u>Supporting Services</u>				<u>Direct Benefit to Contributors</u>	<u>Total</u>
	<u>Research Program</u>	<u>Management and General</u>	<u>Fund-raising</u>	<u>Total Supporting Services</u>		
Grants awarded	\$ 56,500,000					\$ 56,500,000
Founder's Fund grants awarded	3,000,000					3,000,000
Special events:						
Event costs					\$ 3,078,589	3,078,589
Other			\$ 1,238,235	\$ 1,238,235		1,238,235
Salaries and employee benefits	2,402,492	\$ 1,182,661	3,178,258	4,360,919		6,763,411
Contracted services	1,162,748		825,555	825,555		1,988,303
Conferences and meetings	510,711					510,711
Professional fees		451,809	580,684	1,032,493		1,032,493
Rent	149,172	143,647	210,560	354,207		503,379
Telephone		13,919	13,918	27,837		27,837
Supplies		56,939		56,939		56,939
Printing, postage and office expenses	172,291	251,333	377,330	628,663		800,954
Change in allowance for uncollectible accounts		201,055		201,055		201,055
Taxes and licenses		12,150		12,150		12,150
Total expenses before depreciation and amortization	63,897,414	2,313,513	6,424,540	8,738,053	3,078,589	75,714,056
Depreciation and amortization	9,032	8,697	12,749	21,446		30,478
Total expenses	63,906,446	2,322,210	6,437,289	8,759,499	3,078,589	75,744,534
Less direct benefit to contributors					(3,078,589)	(3,078,589)
	<u>\$ 63,906,446</u>	<u>\$ 2,322,210</u>	<u>\$ 6,437,289</u>	<u>\$ 8,759,499</u>	<u>\$ 0</u>	<u>\$ 72,665,945</u>

See notes to the consolidated financial statements.

THE BREAST CANCER RESEARCH FOUNDATION, INC.

Consolidated Statements of Cash Flows

	Year Ended June 30,	
	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 4,807,651	\$ 1,059,583
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	34,683	30,478
Unrealized (gains) losses on investments	(2,312,281)	19,306
Realized losses (gains) on investments	127,946	(1,041,778)
Change in allowance for uncollectible accounts	250,084	201,055
Changes in:		
Pledges receivable, net	(10,569,000)	(3,777,508)
Other receivables	(164,421)	(139,263)
Prepaid expenses	(219,701)	49,232
Security deposits	(100,541)	
Accounts payable and accrued expenses	151,991	131,809
Grants payable	<u>8,244,430</u>	<u>(1,334,729)</u>
Net cash provided by (used in) operating activities	<u>250,841</u>	<u>(4,801,815)</u>
Cash flows from investing activities:		
Proceeds from sales of investments	28,254,663	35,659,441
Purchases of investments	(25,529,834)	(57,088,287)
Purchases of property and equipment	<u>(173,474)</u>	<u> </u>
Net cash provided by (used in) investing activities	<u>2,551,355</u>	<u>(21,428,846)</u>
Net change in cash and cash equivalents	2,802,196	(26,230,661)
Cash and cash equivalents, beginning of year	<u>13,891,967</u>	<u>40,122,628</u>
Cash and cash equivalents, end of year	<u>\$ 16,694,163</u>	<u>\$ 13,891,967</u>
Supplemental disclosure of cash flow information:		
Noncash donations of goods and services	<u>\$ 1,420,000</u>	<u>\$ 702,000</u>

THE BREAST CANCER RESEARCH FOUNDATION, INC.

Notes to Consolidated Financial Statements June 30, 2018 and 2017

NOTE A - THE FOUNDATION AND ITS SIGNIFICANT ACCOUNTING POLICIES

[1] The Foundation:

The Breast Cancer Research Foundation, Inc. ("BCRF") is a New York not-for-profit organization, incorporated in 1993. The mission of BCRF is to prevent and cure breast cancer by advancing the world's most promising research. The Breast Cancer Research Foundation in Canada ("BCRF Canada") is an officially registered tax-exempt charity in Canada. As this entity meets the criteria for consolidation, its financial statements are consolidated with those of BCRF (together, the "Foundation"). As BCRF Canada's assets and liabilities and its operations are not significant, they are not shown separately in the consolidated financial statements. 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 of the Foundation have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America ("U.S. GAAP"), as applicable to not-for-profit organizations.

[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, paid soon after each fiscal year-end.

[5] Investments:

The Foundation's investments in fixed income securities, equity 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, 2018 and 2017

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 unrestricted net assets unless their use is restricted on a temporary or permanent basis 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.

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.

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 accounts and transactions.

[6] Property and equipment:

Property and equipment are stated at their original costs at the dates of acquisition, or, if contributed, at their fair values at the dates of donation. The Foundation capitalizes 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, 2018 and 2017, 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, 2018 and 2017

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 2018 and 2017, and accordingly, both the research grants and the Founder's Fund grants are payable in the subsequent fiscal year.

[9] Net assets:

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

(i) *Unrestricted:*

Unrestricted net assets, including the amounts set aside by the Board for the Founder's Fund (see Note F), are the remaining net assets of the Foundation that are used to carry out the Foundation's mission and are not subject to donor restrictions.

(ii) *Temporarily restricted:*

Temporarily restricted net assets represent those resources the use of which has been restricted by donors to specific purposes and/or the passage of time or the resources that are subject to the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, or funds are appropriated through an action of the Board of Directors in accordance with NYPMIFA, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of activities as "net assets released from restrictions." Temporarily restricted contributions received, but for which restrictions are met in the same fiscal year, are recorded as unrestricted in the consolidated statements of activities.

(iii) *Permanently restricted:*

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

[10] Revenue recognition:

(i) *Contributions, gifts and pledges:*

Contributions to the Foundation are recognized as revenue upon the receipt of cash, unconditional pledges or other assets. Contributions are considered available for unrestricted use, unless the donors restrict the use thereof, either on a temporary or permanent basis. 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, 2018 and 2017

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

[10] Revenue recognition (continued):

(ii) *Special events:*

From time-to-time the Foundation holds fund-raising events. A portion of the gross proceeds paid by the attendees of the event represents payment for the direct cost of the benefits received by the attendees at the event. Such special-event income is reported net of the direct costs of the event that are attributable to the benefit that the donors receive referred to as "direct benefit to donor".

(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 unrestricted support unless the donor has restricted the donated assets to a specific purpose. Donated goods and services are reported as both contributions and offsetting expenses in the 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 consolidated statements of activities and of functional expenses. Accordingly, certain costs have been allocated among the program and supporting service categories using appropriate measurement methodologies. Indirect costs have been allocated on the basis of time and square footage.

[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, 2018 and 2017

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

[14] Upcoming accounting change:

In August 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 will amend financial-statement presentations and disclosures, with the goal of assisting not-for-profit organizations in providing more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. ASU 2016-14 includes qualitative and quantitative requirements in the following areas: (i) net asset classifications, (ii) investment returns, (iii) expense categorizations, (iv) liquidity and availability of resources, and (v) the presentation of operating cash flows. The new standard will be effective for annual reporting periods beginning after December 15, 2017. The Foundation will adopt this pronouncement for fiscal-year 2019.

[15] Subsequent events:

The Foundation has evaluated subsequent events through November 15, 2018, 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:

	<u>June 30,</u>	
	<u>2018</u>	<u>2017</u>
Less than one year	\$ 24,120,799	\$ 12,209,440
Two to five years	970,417	<u>2,495,417</u>
	25,091,216	14,704,857
Reduction of pledges due in excess of one year to present value, using discount rates ranging from 0.63% - 1.88%	(342,945)	(462,502)
Less allowance for doubtful collections	(296,000)	<u>(109,000)</u>
	<u>\$ 24,452,271</u>	<u>\$ 14,133,355</u>

The Foundation periodically assesses the collectability of its outstanding pledges and provides allowances for anticipated losses, if any, when necessary.

The Foundation wrote-off uncollectible pledges receivable of approximately \$63,000 against its allowance in fiscal-year 2018.

THE BREAST CANCER RESEARCH FOUNDATION, INC.

Notes to Consolidated Financial Statements June 30, 2018 and 2017

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 the grantor's breast cancer treatments. The grant is subject to the annual approval of the Foundation's Scientific Advisory Board's (the "Board") selection of qualified institutions to conduct the studies, and the Board's satisfactory evaluation of the progress of the selected studies. The Foundation has recognized \$10,000,000 in revenue from this grant; \$5,000,000 in fiscal-year 2016, \$4,503,705 in fiscal-year 2017, and \$496,295 in fiscal-year 2018.

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 \$5,000,000 in revenue from this grant in fiscal-year 2018.

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,			
	2018		2017	
	Fair Value	Cost	Fair Value	Cost
Cash and cash equivalents	\$ 1,896,674	\$ 1,896,674	\$ 1,444,576	\$ 1,444,576
Corporate bonds	19,227,970	19,830,400	32,086,836	32,273,421
U.S. government bonds	3,372,121	3,426,073	4,068,207	4,080,691
Equity securities	21,594,411	20,055,661	15,203,277	15,111,571
Mutual fund - fixed-income	16,192,766	16,214,894	10,021,540	11,366,218
	<u>\$ 62,283,942</u>	<u>\$ 61,423,702</u>	<u>\$ 62,824,436</u>	<u>\$ 64,276,477</u>

At June 30, 2018, concentrations of the Foundation's investments in excess of 10% of the fair value of its portfolio included approximately 31% invested in corporate bonds, 35% invested in equity securities and 26% invested in a fixed-income mutual fund. At June 30, 2017, concentrations of the Foundation's investments in excess of 10% of the fair value of its portfolio included approximately 51% invested in corporate bonds, 24% invested in equity securities and 16% invested in a fixed-income mutual fund.

THE BREAST CANCER RESEARCH FOUNDATION, INC.

Notes to Consolidated Financial Statements June 30, 2018 and 2017

NOTE C - INVESTMENTS (CONTINUED)

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

	Year Ended June 30,	
	2018	2017
Interest and dividends	\$ 382,068	\$ 885,320
Realized (losses) gains	(127,946)	1,041,778
Unrealized gains (losses)	2,312,281	(19,306)
Investment advisory fees	(124,265)	(159,400)
	<u>\$ 2,442,138</u>	<u>\$ 1,748,392</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 Foundation currently has no Level 3 investments.

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 2018 and 2017, 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, 2018		
	Level 1	Level 2	Total
Cash and cash equivalents	\$ 1,896,674		\$ 1,896,674
Corporate bonds		\$ 19,227,970	19,227,970
U.S. government bonds		3,372,121	3,372,121
Equity securities	21,594,411		21,594,411
Mutual fund - fixed-income	16,192,766		16,192,766
	<u>\$ 39,683,851</u>	<u>\$ 22,600,091</u>	<u>\$ 62,283,942</u>

THE BREAST CANCER RESEARCH FOUNDATION, INC.

**Notes to Consolidated Financial Statements
June 30, 2018 and 2017**

NOTE C - INVESTMENTS (CONTINUED)

	June 30, 2017		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Cash and cash equivalents	\$ 1,444,576		\$ 1,444,576
Corporate bonds		\$ 32,086,836	32,086,836
U.S. government bonds		4,068,207	4,068,207
Equity securities	15,203,277		15,203,277
Mutual fund - fixed-income	<u>10,021,540</u>		<u>10,021,540</u>
	<u>\$ 26,669,393</u>	<u>\$ 36,155,043</u>	<u>\$ 62,824,436</u>

NOTE D - PROPERTY AND EQUIPMENT

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

	June 30,	
	<u>2018</u>	<u>2017</u>
Leasehold improvements	\$ 319,902	\$ 229,008
Furniture and equipment	<u>252,833</u>	<u>170,253</u>
	572,735	399,261
Less accumulated depreciation and amortization	<u>(354,072)</u>	<u>(319,389)</u>
	<u>\$ 218,663</u>	<u>\$ 79,872</u>

NOTE E - TEMPORARILY RESTRICTED NET ASSETS

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

	June 30,	
	<u>2018</u>	<u>2017</u>
Purpose restrictions:		
Research grants	\$ 1,910,997	\$ 2,565,204
Founder's Fund grants	<u>291,518</u>	<u>400,000</u>
	<u>2,202,515</u>	<u>2,965,204</u>
Time-restricted for future periods	<u>1,870,375</u>	
	<u>\$ 4,072,890</u>	<u>\$ 2,965,204</u>

During fiscal-years 2018 and 2017, net assets of approximately \$1,989,000 and \$870,000, respectively, were released from donors' restrictions for research grants and founder's fund grants.

THE BREAST CANCER RESEARCH FOUNDATION, INC.

Notes to Consolidated Financial Statements June 30, 2018 and 2017

NOTE F - FOUNDER'S FUND CONTRIBUTIONS

After the death of Evelyn H. Lauder, Founder and Chair of BCRF, in November 2011, the Board of Directors created a board-designated fund, the "Founder's Fund" (the "Fund"), to accept contributions in Mrs. Lauder's memory as a means of honoring her commitment and leadership. Gifts and investment income of the Fund, which is reported in both the unrestricted and temporarily restricted net assets, totaling approximately \$32,495,000, have been received from inception of the Fund through June 30, 2018. The Foundation's Scientific Advisory Board created a multi-year, international collaborative research initiative to focus on the biology of cancer metastasis as an appropriate use of these funds and has formed U.S. and European organizing committees for the project. To date, the Foundation has committed approximately \$27,802,000 to the project. The remaining balance of approximately \$4,693,000 is expected to be fully committed over the next one to two years.

NOTE G - DONATED GOODS AND SERVICES

During fiscal-years 2018 and 2017, the Foundation received donated goods and services as follows:

	Year Ended June 30,	
	2018	2017
Donated goods:		
Special events - fundraising merchandise	<u>\$ 327,000</u>	<u>\$ 373,000</u>
Donated services:		
Legal	<u>919,000</u>	<u>162,000</u>
Scientific advisory committee	<u>174,000</u>	<u>167,000</u>
Total donated services	<u>1,093,000</u>	<u>329,000</u>
Total donated goods and services	<u>\$ 1,420,000</u>	<u>\$ 702,000</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 \$995,000 and \$1,984,000 for fiscal-years 2018 and 2017, 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.

THE BREAST CANCER RESEARCH FOUNDATION, INC.

Notes to Consolidated Financial Statements June 30, 2018 and 2017

NOTE G - DONATED GOODS AND SERVICES (CONTINUED)

Other donated goods and services: (continued)

(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.

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

	June 30, 2018		
	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets (including a pledge receivable of \$500,000), beginning of year	<u>\$ 0</u>	<u>\$ 6,550,000</u>	<u>\$ 6,550,000</u>
Investment return:			
Investment income, net	160,490		160,490
Net appreciation	<u>311,314</u>		<u>311,314</u>
Total investment return	471,804		471,804
Appropriation of endowment asset for expenditure	<u>(315,000)</u>		<u>(315,000)</u>
Endowment net assets (including a pledge receivable of \$250,000), end of year	<u>\$ 156,804</u>	<u>\$ 6,550,000</u>	<u>\$ 6,706,804</u>

THE BREAST CANCER RESEARCH FOUNDATION, INC.

Notes to Consolidated Financial Statements June 30, 2018 and 2017

NOTE H - THE ENDOWMENT (CONTINUED)

	June 30, 2017		
	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets (including a pledge receivable of \$750,000), beginning of year	\$ 0	\$ 1,550,000	\$ 1,550,000
Contributions		<u>5,000,000</u>	<u>5,000,000</u>
Investment return:			
Investment income, net	16,545		16,545
Net appreciation	<u>19,221</u>		<u>19,221</u>
Total investment return	35,766		35,766
Appropriation of endowment asset for expenditure	<u>(35,766)</u>		<u>(35,766)</u>
Endowment net assets (including a pledge receivable of \$500,000), end of year	<u>\$ 0</u>	<u>\$ 6,550,000</u>	<u>\$ 6,550,000</u>

[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 2018 and 2017, the spend rate was 5%.

[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, permanently restricted contribution. Under the terms of NYPMIFA, the Foundation has no responsibility to restore such decrease in value. In fiscal years 2018 and 2017, there were no such deficiencies.

THE BREAST CANCER RESEARCH FOUNDATION, INC.

Notes to Consolidated Financial Statements June 30, 2018 and 2017

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 2018 and 2017, the Foundation recognized contribution revenue from the corporation of approximately \$7,580,000 and \$5,565,000, respectively. During fiscal-years 2018 and 2017, certain executives and a board member of this corporation also made personal contributions to the Foundation of approximately \$300,000 and \$5,526,000, respectively. Additionally, during fiscal-years 2018 and 2017, the corporation donated items to be given away during the Foundation's fund-raising events valued at approximately \$89,000 and \$139,000, 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 2018 and 2017, these reimbursements approximated \$7,502,000 and \$6,821,000, respectively. At June 30, 2018 and 2017, the total amount advanced to the corporation for future costs was approximately \$442,000 and \$384,000, 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 that covers all employees who meet the eligibility requirements. In addition, the corporation also maintains a deferred compensation 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 2018 and 2017 were approximately \$268,000 and \$245,000, 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 space with an expiration period of June 2022. Subsequent to year-end, the Foundation has sublet part of its original space. 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>
2019	\$ 893,000
2020	906,000
2021	922,000
2022	884,000
Thereafter	<u>146,000</u>
	<u>\$ 3,751,000</u>

THE BREAST CANCER RESEARCH FOUNDATION, INC.

Notes to Consolidated Financial Statements June 30, 2018 and 2017

NOTE J - COMMITMENTS (CONTINUED)

[2] Lease obligations: (continued)

Rent expense (including tax and operating escalation charges) was approximately \$825,000 and \$503,000 in fiscal-years 2018 and 2017, 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.