

Financial Statements

**DR. SUSAN LOVE RESEARCH
FOUNDATION**

June 30, 2012



HENSIEK & CARON

CERTIFIED PUBLIC ACCOUNTANTS
650 SIERRA MADRE VILLA, SUITE 303
PASADENA, CALIFORNIA 91107
TELEPHONE (626) 792-9988 FAX (626) 792-9852

BARRY B. HENSIEK, CPA
SUSAN E. CARON, CPA

INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
Dr. Susan Love Research Foundation

We have audited the accompanying statement of financial position of Dr. Susan Love Research Foundation (a nonprofit organization) as of June 30, 2012, and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements, based on our audit. The prior year summarized comparative information has been derived from Dr. Susan Love Research Foundation's 2011 financial statements and, in our report dated October 12, 2011 we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dr. Susan Love Research Foundation as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

Hensiek & Caron

August 20, 2012

DR. SUSAN LOVE RESEARCH FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012

WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2011

	ASSETS			2011
	2012			As Restated
	Unrestricted	Temporarily Restricted	Total	Total
Assets				
Cash and cash equivalents	\$ 1,131,588	\$ -	\$ 1,131,588	\$ 810,930
Accounts receivable	5,472	-	5,472	6,543
Contributions and grants receivable	-	41,263	41,263	206,317
Interest receivable	4,750	-	4,750	3,616
Prepaid expenses	34,934	-	34,934	53,801
Investments	1,772,152	1,665,140	3,437,292	3,604,640
Patents, net	16,503	-	16,503	18,304
Property, equipment and web site, net	186,170	-	186,170	170,851
Security deposit	21,261	-	21,261	21,261
	<u>\$ 3,172,830</u>	<u>\$ 1,706,403</u>	<u>\$ 4,879,233</u>	<u>\$ 4,896,263</u>
Total Assets	<u>\$ 3,172,830</u>	<u>\$ 1,706,403</u>	<u>\$ 4,879,233</u>	<u>\$ 4,896,263</u>
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable	\$ 25,090	\$ -	\$ 25,090	\$ 11,284
Accrued salaries and vacation	89,219	-	89,219	53,833
Accrued rent	58,918	-	58,918	60,940
Grants payable	49,200	-	49,200	84,200
	<u>222,427</u>	<u>-</u>	<u>222,427</u>	<u>210,257</u>
Total Liabilities	<u>222,427</u>	<u>-</u>	<u>222,427</u>	<u>210,257</u>
Net Assets	<u>2,950,403</u>	<u>1,706,403</u>	<u>4,656,806</u>	<u>4,686,006</u>
Total Liabilities and Net Assets	<u>\$ 3,172,830</u>	<u>\$ 1,706,403</u>	<u>\$ 4,879,233</u>	<u>\$ 4,896,263</u>

The accompanying notes are an integral part of these statements.

DR. SUSAN LOVE RESEARCH FOUNDATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012
WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2011

	2012			2011
	Unrestricted	Temporarily Restricted	Total	As Restated Total
Support and Revenue				
Grants, contracts and contributions	\$ 1,692,396	\$ 200,000	\$ 1,892,396	\$ 1,383,678
Gifts in kind	31,446	-	31,446	33,600
Special events, net of direct expenses of \$16,061 in 2012 and \$11,587 in 2011	48,719	-	48,719	42,193
Conference registration and sponsorships	14,000	-	14,000	48,470
Investment returns	(166,132)	-	(166,132)	515,493
Product sales, net of cost of sales of \$1,341 in 2012 and \$6,533 in 2011	14,044	-	14,044	24,919
Program income	46,006	-	46,006	20,500
Loss on disposal of fixed assets	-	-	-	(3,484)
Net assets released from program restrictions	917,351	(917,351)	-	-
Total Support and Revenue	2,597,830	(717,351)	1,880,479	2,065,369
Expenses				
Program	1,592,327	-	1,592,327	1,755,746
Management and general	138,921	-	138,921	169,350
Fundraising	178,431	-	178,431	150,851
Total Expenses	1,909,679	-	1,909,679	2,075,947
Change in Net Assets	688,151	(717,351)	(29,200)	(10,578)
Net Assets, Beginning of Year	2,262,252	2,423,754	4,686,006	4,724,911
Prior Period Adjustment	-	-	-	(28,327)
Net Assets, Beginning of Year	2,262,252	2,423,754	4,686,006	4,696,584
Net Assets, End of Year	\$ 2,950,403	\$ 1,706,403	\$ 4,656,806	\$ 4,686,006

The accompanying notes are an integral part of these statements.

DR. SUSAN LOVE RESEARCH FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012
WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2011

	<u>2012</u>	<u>2011</u> <u>As Restated</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ (29,200)	\$ (10,578)
Adjustments to reconcile the change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	129,024	106,043
Realized and unrealized (gains) losses on investments	228,965	(443,328)
(Increase) Decrease in:		
Accounts receivable	1,071	36,025
Contributions and grants receivable	165,054	-
Interest receivable	(1,134)	(153)
Prepaid expenses	18,867	(22,474)
Deposits	-	(9,583)
Increase (Decrease) in:		
Accounts payable	13,806	(11,324)
Accrued salaries	35,386	4,468
Accrued rent	(2,022)	59,778
Grants payable	(35,000)	70,000
Net Cash Provided by (Used in) Operating Activities	<u>524,817</u>	<u>(221,126)</u>
Cash Flows from Investing Activities		
Proceeds from sales of investments	2,874,302	1,474,326
Purchase of investments	(2,935,919)	(1,546,013)
Purchase of property, equipment and web site	(142,542)	(96,209)
Net Cash Used in Investing Activities	<u>(204,159)</u>	<u>(167,896)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	320,658	(389,022)
Cash and Cash Equivalents, Beginning	<u>810,930</u>	<u>1,199,952</u>
Cash and Cash Equivalents, Ending	<u>\$ 1,131,588</u>	<u>\$ 810,930</u>
Supplementary Information		
Interest received	<u>\$ 86,303</u>	<u>\$ 96,746</u>

The accompanying notes are an integral part of these statements.

DR. SUSAN LOVE RESEARCH FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012
WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2011

	2012							2011 As Restated	
	Programs				Total Program	Management and General	Fundraising	Total	Total
	Army of Women	Health of Women Study	Clinical Research	Education					
Salaries	\$ 229,324	\$ 116,288	\$ 301,205	\$ 29,971	\$ 676,788	\$ 58,844	\$ 92,728	\$ 828,360	\$ 663,425
Occupancy	67,673	34,316	88,884	8,844	199,717	17,365	27,364	244,446	240,594
Website content and maintenance	111,016	-	-	81,770	192,786	-	-	192,786	183,857
Contract services	5,711	2,855	90,285	23,491	122,342	24,751	2,243	149,336	354,403
Depreciation	-	-	129,024	-	129,024	-	-	129,024	106,043
Marketing and communications	28,691	28,691	19,127	4,782	81,291	4,782	9,564	95,637	108,562
Payroll taxes	16,652	8,326	21,409	2,379	48,766	4,163	6,542	59,471	37,031
Insurance	6,203	4,198	28,023	1,513	39,937	3,966	3,768	47,671	46,843
Travel	6,991	-	24,381	-	31,372	-	-	31,372	22,105
Benefits	8,611	4,306	11,071	1,230	25,218	2,152	3,382	30,752	25,545
Supplies	5,290	3,967	5,290	1,322	15,869	5,290	5,290	26,449	15,520
Computer expenses	3,011	1,508	3,017	-	7,536	6,196	15,454	29,186	5,974
Expendable equipment	-	-	21,430	-	21,430	3,470	-	24,900	31,671
Education and meetings	-	-	8,931	(268)	8,663	7,300	-	15,963	10,739
Bank charges	-	-	-	-	-	-	7,959	7,959	12,170
Printing, copying and postage	385	256	385	256	1,282	642	3,827	5,751	9,607
Dues and subscriptions	-	-	106	-	106	-	310	416	413
Programs and grants	-	-	-	(9,800)	(9,800)	-	-	(9,800)	90,000
Intraductal conference	-	-	-	-	-	-	-	-	111,445
Total Expenses	\$ 489,558	\$ 204,711	\$ 752,568	\$ 145,490	\$ 1,592,327	\$ 138,921	\$ 178,431	\$ 1,909,679	\$ 2,075,947
					83.4%	7.3%	9.3%	100.0%	

The accompanying notes are an integral part of these statements.

DR. SUSAN LOVE RESEARCH FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1 – Summary of Significant Accounting Policies

Nature of the Organization

The Mission of the Dr. Susan Love Research Foundation (DSLRF) is to eradicate breast cancer and improve the quality of women's health through innovative research, education and advocacy.

The Foundation is currently focusing on the following programs:

Clinical, Epidemiological and Translational Research Program

The Research Program is currently focusing on the following projects:

- The development of a breast fluid test to identify women at risk for breast cancer
- Effect of intraductal therapy in the treatment of DCIS
- Effect of previous pregnancy on the physiology of the breast ducts
- Analysis of parity-induced protection in human breast and serum
- The Correlation of human anatomy and physiology in the non-lactating, non-cancerous breast
- The Health of Women Study (HOW) with the goal of conducting the first ever, completely online longitudinal cohort study of healthy women and breast cancer survivors in order to understand new risk factors for the disease with the goal of preventing breast cancer once and for all.

As part of the Research Program, DSLRF also awards pilot grants to jumpstart innovative research and to encourage scientists to pursue the intraductal approach. Grants are made through a novel approach, with applicants presenting their proposals at the Foundation's biennial International Symposium on the Intraductal Approach to Breast Cancer. Since 1998, DSLRF has awarded pilot grants totaling more than \$1,000,000.

Army of Women Program

The Army of Women is funded by the Avon Foundation for Women and launched on October 1, 2008. Women have taken personal action and raised millions of dollars that has advanced treatment and early detection, but researchers still do not know what causes the disease. The Army of Women empowers women with a new opportunity – a simple but revolutionary call for one million women of all ages and ethnicities to join the “Army” and consider serving as research volunteers to help scientists understand the causes of breast cancer – and how to end it once and for all. All women not currently undergoing breast cancer treatment, including breast cancer survivors and those who never had the disease, are eligible to register. Universities and research labs throughout the country may submit their studies for consideration to the Army of Women, and all research will undergo a thorough medical and ethical review. Some research may require women to complete a questionnaire, while others may require blood or saliva samples, or other simple steps (the research studies are not clinical trials and do not involve drugs or medical procedures). The Army of Women will serve as a virtual “matchmaker,” sending an email alert to women volunteers outlining the needs of each study, and women who meet the criteria have the option to take part. Since its inception in 2008, the Army of Women has recruited over 360,000 volunteers ready to take part in research projects.

DR. SUSAN LOVE RESEARCH FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

Note 1 – Summary of Significant Accounting Policies (continued)

Nature of the Organization (continued)

Education and Outreach Program

The Foundation is dedicated to educating the public about breast cancer risk assessment, detection, prevention, and treatment. As part of this effort they maintain an award-receiving website and respond to site visitor's questions about breast cancer and women's health issues through a team of medical experts.

Public Support and Revenue

Donations are recorded as made. All donations are considered to be available for unrestricted use unless specifically restricted by the donor.

Amounts received or promised that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Donated securities and other non-cash donations are recorded at estimated fair values at the date of donation. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. The value of contributed services that meet these qualifications was \$31,446, at June 30, 2012.

Accounts, Contributions and Grants Receivable

The Foundation uses the direct write off method to determine uncollectible receivables. The annual write off is based on prior years experience and management's analysis of specific receivables. Management has determined that all receivables are collectible.

Property, Equipment and Web Site

Property, equipment and web site are stated at cost or, if donated, at the approximate fair market value at the date of donation. It is the Foundation's policy to capitalize expenditures for these items in excess of \$1,500. Depreciation is provided using the straight-line method over three to five years.

Investments

Investments, comprised primarily of mutual funds whose underlying assets are equity securities, corporate debt securities and U.S. government obligations, are valued at fair value, with realized and unrealized gains and losses reflected in the statements of activities. The fair value of investments is based on quoted market values.

DR. SUSAN LOVE RESEARCH FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1 – Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Statement of Cash Flows

For the purpose of the statement of cash flows, the Foundation includes all cash in banks and other financial institutions, and certain highly liquid money market accounts designated for temporary cash investment.

Income Taxes

The Foundation is qualified under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation. Nonprofit organizations are not generally liable for taxes on income; therefore, no provision is made for such taxes in the financial statements.

The accounting standard on accounting for uncertainty in income taxes provides guidance on how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. Examples of tax positions include the tax-exempt status of the Foundation and various positions related to the potential sources of unrelated business taxable income (UBIT). The Foundation believes that it has no uncertain tax positions that impact its financial statements.

The Foundation's forms 990, *Return of Organization Exempt from Income Tax*, for the years ending 2009, 2010, and 2011 are subject to normal examination by the IRS.

Note 2 – Concentration of Credit Risk

Financial instruments, which potentially subject the Foundation to concentrations of credit risk, consist of cash and cash equivalents. The Foundation maintains its cash balances at a single financial institution. Cash accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 per financial institution. At June 30, 2012, the Foundation's uninsured cash equivalents balance totaled \$1,007,285. These funds are invested in obligations of the U.S government; therefore, the Foundation believes that they are not exposed to any significant credit risk.

Note 3 – Accounts Receivable

Accounts receivable consists of the following:

	<u>2012</u>	<u>2011</u>
Accounts receivable	\$ 5,472	\$ 6,543
Less allowance for doubtful accounts	<u>-</u>	<u>-</u>
	<u>\$ 5,472</u>	<u>\$ 6,543</u>

DR. SUSAN LOVE RESEARCH FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

Note 4 – Contributions and Grants Receivable

Contributions and grants receivable consist of the following:

	<u>2012</u>	<u>2011</u>
Contributions and grants receivable	\$ 41,263	\$ 206,317
Less allowance for doubtful accounts	-	-
	<u>\$ 41,263</u>	<u>\$ 206,317</u>

Note 5 – Investments

As of June 30, 2012 and 2011 investments consist of the following:

<u>2012</u>	<u>Aggregate Fair Value</u>	<u>Cost</u>
Mutual funds	\$ 1,827,743	\$ 1,788,801
Exchange traded funds	594,158	566,024
Money market funds	1,015,391	1,015,391
Total	<u>\$ 3,437,292</u>	<u>\$ 3,370,216</u>

<u>2011</u>	<u>Aggregate Fair Value</u>	<u>Cost</u>
Mutual funds	\$ 1,268,619	\$ 1,214,250
Exchange traded funds	1,547,281	1,272,735
Money market funds	788,740	788,740
Total	<u>\$ 3,604,640</u>	<u>\$ 3,275,725</u>

Investment returns are summarized as follows:

	<u>2012</u>	<u>2011</u>
Interest and dividends	\$ 86,303	\$ 96,746
Investment fees	(23,470)	(24,581)
Net realized and unrealized gains	(228,965)	443,328
Total	<u>\$ (166,132)</u>	<u>\$ 515,493</u>

DR. SUSAN LOVE RESEARCH FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

Note 6 – Property, Equipment and Web Site

Property, equipment and web site consist of the following:

	<u>2012</u>	<u>2011</u>
Leasehold improvements	\$ 18,550	\$ 10,000
Equipment	126,580	96,879
Web design	372,828	372,828
Web design in progress	104,291	-
	<u>622,249</u>	<u>479,707</u>
Less accumulated depreciation	436,079	308,856
	<u>\$ 186,170</u>	<u>\$ 170,851</u>

Note 7 – Lease Commitments

The Foundation operates from offices under a noncancelable lease agreement expiring on November 30, 2015. Minimum payments for the next five years under this operating lease are as follows:

<u>Years ending June 30,</u>	
2013	\$ 231,780
2014	238,733
2015	245,895
2016	104,446

Rent expense for the year ended June 30, 2012 was \$223,006.

Note 8 – Net Assets

Net assets consist of the following:

	<u>2012</u>	<u>2011</u>
Temporarily Restricted Net Assets		
Research Projects	\$ 658,770	\$ 946,614
Love/Avon Army of Women	<u>1,047,633</u>	<u>1,477,140</u>
Total Temporarily Restricted Net Assets	<u>\$ 1,706,403</u>	<u>\$ 2,423,754</u>

DR. SUSAN LOVE RESEARCH FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

Note 9 – Fair Value Measurements

Fair values of assets measured on a recurring basis at June 30, 2012 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Investments	\$ 3,437,292	\$ 3,437,292	\$ -	\$ -

Fair values of assets measured on a recurring basis at June 30, 2011 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Investments	\$ 3,604,640	\$ 3,604,640	\$ -	\$ -

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

Note 10 – Prior Period Adjustment

During the year, it came to the Foundation’s attention that accrued salaries had not been recorded. Due to this, unrestricted net assets for the year ended June 30, 2010 was overstated by \$28,327 and changes in net assets for the year ended June 30, 2011 was overstated by \$1,162.

Note 11 – Subsequent Events

Subsequent events were evaluated through August 20, 2012, which is the date the financial statements were available to be issued. There were no subsequent events that would require adjustments or disclosures in these financial statements.