

*Financial Statements*

**DR SUSAN LOVE RESEARCH  
FOUNDATION**

June 30, 2008



# HENSIEK & CARON

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## 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, 2008, 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.

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, 2008, and the changes in its net assets and its cash flows for the year then ended, in conformity with generally accepted accounting principles.

*Hensiek & Caron*

August 8, 2008

**DR. SUSAN LOVE RESEARCH FOUNDATION**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2008**

**ASSETS**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 456,639	\$ -	\$ 456,639
Accounts receivable	4,950	-	4,950
Grants receivable	-	1,129,057	1,129,057
Prepaid expenses	9,131	-	9,131
Investments	1,398,298	2,055,328	3,453,626
Inventory	10,267	-	10,267
Deposit	11,678	-	11,678
Patents in progress	4,100	-	4,100
Property, equipment and web site, net	114,647	-	114,647
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Assets</b>	<u>\$ 2,009,710</u>	<u>\$ 3,184,385</u>	<u>\$ 5,194,095</u>

**LIABILITIES AND NET ASSETS**

<b>Liabilities</b>			
Accounts payable	\$ 24,440	\$ -	\$ 24,440
Accrued salaries	24,805	-	24,805
Grants payable	10,500	-	10,500
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Liabilities</b>	59,745	-	59,745
<b>Net Assets</b>	<u>1,949,965</u>	<u>3,184,385</u>	<u>5,134,350</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 2,009,710</u>	<u>\$ 3,184,385</u>	<u>\$ 5,194,095</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, 2008**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Support and Revenue</b>			
Grants and contracts	\$ 16,187	\$ 1,200,000	\$ 1,216,187
Contributions	1,418,908	1,200,000	2,618,908
Special events, net of direct expenses of \$18,681	160,362	-	160,362
Investment returns	50,974	-	50,974
Other income	1,707	-	1,707
Net assets released from program restrictions	512,705	(512,705)	-
<b>Total Support and Revenue</b>	<u>2,160,843</u>	<u>1,887,295</u>	<u>4,048,138</u>
<b>Expenses</b>			
Program	767,960	-	767,960
Management and general	149,128	-	149,128
Fundraising	49,731	-	49,731
<b>Total Expenses</b>	<u>966,819</u>	<u>-</u>	<u>966,819</u>
<b>Change in Net Assets</b>	<u>1,194,024</u>	<u>1,887,295</u>	<u>3,081,319</u>
<b>Net Assets, Beginning of Year</b>	<u>755,941</u>	<u>1,297,090</u>	<u>2,053,031</u>
<b>Net Assets, End of Year</b>	<u>\$ 1,949,965</u>	<u>\$ 3,184,385</u>	<u>\$ 5,134,350</u>

The accompanying notes are an integral part of these statements.

**DR. SUSAN LOVE RESEARCH FOUNDATION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

<b>Cash Flows from Operating Activities</b>	
Change in Net Assets	\$ 3,081,319
Adjustments to reconcile the change in net assets to net cash used in operating activities	
Depreciation	29,462
Realized and unrealized gains on investments	(27,663)
(Increase) Decrease in:	
Accounts receivable	2,492
Contributions receivable	(198,155)
Prepaid expenses	(2,594)
Inventory	6,945
Deposits	(11,678)
Increase (Decrease) in:	
Accounts payable	15,858
Accrued salaries	24,805
Grants payable	(62,000)
	<hr/>
<b>Net Cash Provided by Operating Activities</b>	<b>2,858,791</b>
	<hr/>
<b>Cash Flows from Investing Activities</b>	
Proceeds from sales of investments	2,037,521
Purchase of investments	(4,713,297)
Patent costs	(4,100)
Purchase of fixed assets and web site	(80,092)
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<b>Net Cash Used in Investing Activities</b>	<b>(2,759,968)</b>
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<b>Net Increase in Cash and Cash Equivalents</b>	<b>98,823</b>
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<b>Cash and Cash Equivalents, Beginning</b>	<b>357,816</b>
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<b>Cash and Cash Equivalents, Ending</b>	<b>\$ 456,639</b>
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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, 2008**

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 349,350	\$ 60,672	\$ 19,394	\$ 429,416
Contract services	108,213	5,365	-	113,578
Occupancy	80,939	21,871	-	102,810
Website content and maintenance	34,548	17,274	17,274	69,096
Expendable equipment	57,636	2,435	-	60,071
Payroll tax	26,200	4,550	1,454	32,204
Programs and grants	29,808	-	-	29,808
Depreciation	29,462	-	-	29,462
Insurance	10,631	7,500	-	18,131
Marketing and communications	10,235	-	6,732	16,967
Office supplies	101	16,866	-	16,967
Benefits	4,121	3,319	-	7,440
Merchandise	6,945	-	-	6,945
Travel	6,486	-	-	6,486
Computer expenses	1,208	1,207	3,955	6,370
Utilities	-	6,239	-	6,239
Intraductal conference	5,162	-	-	5,162
Education and meetings	2,949	1,651	-	4,600
Dues and subscriptions	2,910	-	922	3,832
Printing, copying and postage	1,056	179	-	1,235
<b>Total Expenses</b>	<u>\$ 767,960</u>	<u>\$ 149,128</u>	<u>\$ 49,731</u>	<u>\$ 966,819</u>

The accompanying notes are an integral part of these statements.

**DR. SUSAN LOVE RESEARCH FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**Note 1 – Summary of Significant Accounting Policies**

**Nature of the Organization**

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

According to the Foundation's research, more than 30 years of "early detection" with mammography and breast self-exam have barely dented the mortality rate for breast cancer. Currently 110 women a day die of the disease, and breast cancer incidence continues to climb; a new case is diagnosed every two minutes. By the time the cancer is diagnosed, it has already been present for six to ten years.

The Foundation is dedicated to research that reveals the origin of breast cancer and new ways of treatment. They are committed to going beyond finding a cure and focusing on stopping women from ever developing breast cancer in the first place. They believe that they can make breast cancer a disease of the past. They know where breast cancer begins—in the breast ducts—and they now have the tools to get there. This intraductal research holds the potential to expand our knowledge in way that will truly allow them to end breast cancer.

The Foundation is currently focusing on the following projects:

**Intraductal Research**

The Dr. Susan Love Research Foundation believes that the intraductal approach to breast cancer is the path that will bring them to the beginning of the end of this disease. To date, they have received more than two and one-half million dollars to pursue their own intraductal research. These projects include:

- The development of a breast fluid test to identify women at risk for breast cancer
- Effect of intraductal therapy of DCIS with pegylated liposomal doxorubicin (PDL) on pathology and biomarkers: A Presurgery Study
- Effect of previous pregnancy on the physiology of the breast ducts
- Analysis of parity-induced protection in human breast and serum
- The normal breast study – Correlation of human anatomy and physiology in the non-lactating, non-cancerous breast

**Pilot Grants**

The Dr. Susan Love Research Foundation gives out 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, the Foundation has awarded pilot grants totaling more than \$900,000.

**DR. SUSAN LOVE RESEARCH FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**Note 1 – Summary of Significant Accounting Policies** (continued)

**Nature of the Organization** (continued)

**Education and Advocacy**

The Dr. Susan Love Research Foundation is dedicated to educating the public about breast cancer risk assessment, detection, prevention, and treatment. They are also committed to advocating for expanded breast cancer research funding and for programs that will ensure all individuals have access to free or low-cost breast cancer screening and high-quality treatment. As part of this effort Dr. Susan Love and the Foundation:

- Maintain an award-receiving website.
- Respond to site visitor's questions.

**Love/Avon Army of Women**

The *Love/Avon Army of Women* is a partnership between the Dr. Susan Love Research Foundation and the Avon Foundation 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 *Love/Avon 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. Women sign up to be part of the Army of Women on [www.armyofwomen.org](http://www.armyofwomen.org).

**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.



**DR. SUSAN LOVE RESEARCH FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**Note 1 – Summary of Significant Accounting Policies** (continued)

**Property, Equipments 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. 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.

**Inventory**

Inventory consists of pink bracelets and is valued at cost.

**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.

**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 various financial institutions. Cash accounts are insured by the Federal Deposit Insurance Corporation up to \$100,000 per institution. At June 30, 2008, the Foundation's uninsured cash balance totaled \$395,935.

**DR. SUSAN LOVE RESEARCH FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**Note 3 – Investments**

As of June 30, 2008 investments consist of the following:

	<u>Aggregate Fair Value</u>	<u>Cost</u>
Equity mutual funds	\$ 626,052	\$ 625,417
Fixed income mutual funds	250,772	249,000
US government mutual funds	190,296	188,782
Money market funds	2,386,506	2,386,506
Total	<u>\$ 3,453,626</u>	<u>\$ 3,449,705</u>

Investment returns are summarized as follows:

Interest and dividends	\$ 23,311
Net realized and unrealized gains	<u>27,663</u>
Total	<u>\$ 50,974</u>

**Note 4 – Property, Equipment and Web Site**

Property, equipment and web site consist of the following:

Leasehold improvements	\$ 7,592
Equipment	20,991
Web design	72,979
Website production in progress	<u>66,500</u>
	168,062
Less accumulated depreciation	<u>53,415</u>
	<u>\$ 114,647</u>

**Note 5 – Lease Commitments**

The Foundation has operated from offices under a month-to-month rental agreement. On March 31, 2008, the Foundation moved to new offices and entered into a noncancelable lease agreement expiring on December 31, 2010. Future minimum payments under this operating lease is as follows:

<u>Years ending June 30,</u>	
2009	\$ 131,292
2010	136,543
2011	58,390

Rent expense for the year ended June 30, 2008 was \$67,414.