

Financial Statements

**DR SUSAN LOVE RESEARCH
FOUNDATION**

June 30, 2010



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, 2010, 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 2009 financial statements and, in our report dated September 30, 2009, 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, 2010, 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 27, 2010

DR. SUSAN LOVE RESEARCH FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2010

WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2009

	ASSETS			2009
	2010		Total	Total
	Unrestricted	Temporarily Restricted		
Assets				
Cash and cash equivalents	\$ 1,199,952	\$ -	\$ 1,199,952	\$ 1,127,930
Contributions and grants receivable, net of allowance for doubtful amounts in 2010 and 2009 of \$0	248,885	-	248,885	575,480
Interest receivable	3,463	-	3,463	4,416
Prepaid expenses	31,327	-	31,327	37,066
Inventory	-	-	-	4,162
Investments	467,152	2,622,474	3,089,626	2,753,916
Patents in progress	20,103	-	20,103	4,100
Property, equipment and web site, net	178,885	-	178,885	273,951
Security deposit	11,678	-	11,678	11,678
	Total Assets	\$ 2,622,474	\$ 4,783,919	\$ 4,792,699
	\$ 2,161,445	\$ 2,622,474	\$ 4,783,919	\$ 4,792,699
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable	\$ 22,608	\$ -	\$ 22,608	\$ 56,576
Accrued salaries and vacation	22,200	-	22,200	27,592
Grants payable	14,200	-	14,200	48,000
	Total Liabilities	-	59,008	132,168
Net Assets	2,102,437	2,622,474	4,724,911	4,660,531
	Total Liabilities and Net Assets	\$ 2,622,474	\$ 4,783,919	\$ 4,792,699

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, 2010
WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2009

	2010			2009
	Unrestricted	Temporarily Restricted	Total	Total
Support and Revenue				
Grants and contracts	\$ 250,000	\$ -	\$ 250,000	\$ 408,515
Contributions	567,158	762,680	1,329,838	1,350,468
Gifts in kind	40,792	-	40,792	-
Special events, net of direct expenses of \$10,361 in 2010 and \$2,700 in 2009	77,554	-	77,554	61,094
Conference registration and sponsorships	5,000	-	5,000	63,956
Investment returns	185,258	-	185,258	(242,110)
Product sales, net of cost of sales of \$10,799 in 2010 and \$10,576 in 2009	71,518	-	71,518	195,593
Loss on disposal of fixed assets	(3,920)	-	(3,920)	-
Net assets released from program restrictions	1,049,317	(1,049,317)	-	-
Total Support and Revenue	2,242,677	(286,637)	1,956,040	1,837,516
Expenses				
Program	1,537,217	-	1,537,217	1,999,559
Management and general	222,794	-	222,794	191,435
Fundraising	131,649	-	131,649	120,341
Total Expenses	1,891,660	-	1,891,660	2,311,335
Change in Net Assets	351,017	(286,637)	64,380	(473,819)
Net Assets, Beginning of Year	1,751,420	2,909,111	4,660,531	5,134,350
Net Assets, End of Year	\$ 2,102,437	\$ 2,622,474	\$ 4,724,911	\$ 4,660,531

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, 2010 AND 2009

	2010	2009
Cash Flows from Operating Activities		
Change in Net Assets	\$ 64,380	\$ (473,819)
Adjustments to reconcile the change in net assets to net cash provided by operating activities		
Depreciation	104,458	50,849
Realized and unrealized losses (gains) on investments	(130,212)	299,084
(Increase) Decrease in:		
Contributions and grants receivable	326,595	555,725
Interest receivable	953	(1,614)
Prepaid expenses	5,739	(27,935)
Inventory	4,162	6,105
Increase (Decrease) in:		
Accounts payable	(33,968)	32,136
Accrued salaries	(5,392)	2,787
Grants payable	(33,800)	37,500
	302,915	480,818
 Cash Flows from Investing Activities		
Proceeds from sales of investments	2,445,226	2,985,901
Purchase of investments	(2,650,724)	(2,585,275)
Patent costs	(16,003)	-
Purchase of fixed assets and web site	(9,392)	(210,153)
	(230,893)	190,473
 Net Increase in Cash and Cash Equivalents	72,022	671,291
 Cash and Cash Equivalents, Beginning	1,127,930	456,639
 Cash and Cash Equivalents, Ending	\$ 1,199,952	\$ 1,127,930

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, 2010
WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2009

	2010							2009	
	Programs								
	Army of Women	Health of Women Study	Clinical Research	Education	Total Program	Management and General	Fundraising	Total	Total
Salaries	\$ 246,476	\$ 35,000	\$ 262,483	\$ -	\$ 543,959	\$ 94,405	\$ 74,255	\$ 712,619	\$ 576,081
Contract services	-	-	222,110	-	222,110	35,144	-	257,254	643,748
Website content and maintenance	93,384	-	-	74,569	167,953	-	-	167,953	178,010
Occupancy	33,554	-	73,890	-	107,444	46,335	-	153,779	144,221
Marketing and communications	91,958	31,510	-	-	123,468	-	19,433	142,901	201,709
Expendable equipment	-	-	105,135	-	105,135	1,235	-	106,370	105,488
Depreciation	-	-	104,458	-	104,458	-	-	104,458	50,849
Insurance	12,121	7,963	27,367	-	47,451	7,723	3,097	58,271	30,622
Payroll taxes	19,584	2,798	20,703	-	43,085	7,274	5,596	55,955	51,172
Travel	9,613	-	30,599	-	40,212	-	-	40,212	24,301
Benefits	6,668	1,454	7,386	-	15,508	3,481	1,794	20,783	20,289
Bank charges	-	-	-	-	-	-	17,989	17,989	53,976
Education and meetings	-	-	46	7,525	7,571	8,868	-	16,439	11,364
Computer expenses	-	-	4,409	-	4,409	4,409	3,959	12,777	7,352
Intraductal conference	-	-	83	8,346	8,429	-	-	8,429	88,907
Supplies	-	-	-	-	-	7,106	143	7,249	19,176
Printing, copying and postage	-	-	-	-	-	6,814	-	6,814	12,563
Dues and subscriptions	-	-	140	-	140	-	5,383	5,523	1,797
Development	-	-	-	-	-	-	-	-	8,210
Programs and grants	-	-	-	(4,115)	(4,115)	-	-	(4,115)	81,500
Total Expenses	\$ 513,358	\$ 78,725	\$ 858,809	\$ 86,325	\$ 1,537,217	\$ 222,794	\$ 131,649	\$ 1,891,660	\$ 2,311,335

The accompanying notes are an integral part of these statements.

DR. SUSAN LOVE RESEARCH FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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.

DSLRF is currently focusing on the following projects:

Intraductal Research

DLRF 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, DSLRF has 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

DSLRF 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, DSLRF has awarded pilot grants totaling more than \$1,000,000.

Education

DSLRF is dedicated to educating the public about breast cancer risk assessment, detection, prevention, and treatment. As part of this effort Dr. Susan Love and DSLRF:

- 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 DSLRF 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.

DR. SUSAN LOVE RESEARCH FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1 – Summary of Significant Accounting Policies (continued)

Nature of the Organization (continued)

Love/Avon Army of Women (continued)

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.

Health of Women Study

The Health of Women Study (HOW) is a study of the DSLRF in collaboration with the National Cancer Institute and City of Hope. The goal of the HOW Study is to conduct 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.

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 \$40,792, at June 30, 2010.

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.

DR. SUSAN LOVE RESEARCH FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1 – Summary of Significant Accounting Policies (continued)

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.

Inventory

Inventory, valued at cost, consists of pink bracelets and pendants, which are held for sale or used as incentives to donors.

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 \$250,000 per financial institution. At June 30, 2010, the Foundation's uninsured cash balance totaled \$1,089,512

DR. SUSAN LOVE RESEARCH FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Note 3 – Investments

As of June 30, 2010 and 2009 investments consist of the following:

<u>2010</u>	<u>Aggregate Fair Value</u>	<u>Cost</u>
Mutual funds	\$ 2,491,648	\$ 2,490,254
Money market funds	597,978	597,978
Total	<u>\$ 3,089,626</u>	<u>\$ 3,088,232</u>
<u>2009</u>	<u>Aggregate Fair Value</u>	<u>Cost</u>
Mutual funds	\$ 1,498,140	\$ 1,607,850
Money market funds	1,255,776	1,255,776
Total	<u>\$ 2,753,916</u>	<u>\$ 2,863,626</u>

Investment returns are summarized as follows:

	<u>2010</u>	<u>2009</u>
Interest and dividends	\$ 76,674	\$ 72,756
Investment fees	(21,627)	(15,782)
Net realized and unrealized losses	130,211	(299,084)
Total	<u>\$ 185,258</u>	<u>\$ (242,110)</u>

Note 4 – Property, Equipment and Web Site

Property, equipment and web site consist of the following:

	<u>2010</u>	<u>2009</u>
Leasehold improvements	\$ 7,592	\$ 7,592
Equipment	48,821	44,860
Web design	331,193	321,843
Website production in progress	-	3,920
	<u>387,606</u>	<u>378,215</u>
Less accumulated depreciation	208,721	104,264
	<u>\$ 178,885</u>	<u>\$ 273,951</u>

Note 5 – Lease Commitments

The Foundation operates from offices under a noncancelable lease agreement expiring on December 31, 2010. The lease agreement contains a provision for 4% annual increases. Future minimum payments under this operating lease is \$58,390 for the year ended June 30, 2011. At June 30, 2010 the Foundation was renegotiating the lease including an expansion of space.

Rent expense for the year ended June 30, 2010 and 2009 was \$138,271 and \$129,564, respectively.

DR. SUSAN LOVE RESEARCH FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Note 6 – Net Assets

Net assets consist of the following:

	2010	2009
Temporarily Restricted Net Assets		
Research Projects	\$ 1,253,327	\$ 1,777,669
Love/Avon Army of Women	1,369,147	1,131,442
Total Temporarily Restricted Net Assets	\$ 2,622,474	\$ 2,909,111

Note 7 – Fair Value Measurements

Fair values of assets measured on a recurring basis at June 30, 2010 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	\$ 3,089,626	\$ 3,089,626	\$ -	\$ -

Fair values of assets measured on a recurring basis at June 30, 2009 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	\$ 2,753,916	\$ 2,753,916	\$ -	\$ -

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

Note 8 – Subsequent Events

Subsequent events were evaluated through August 27, 2010, which is the date the financial statements were available to be issued.