

*Financial Statements*

**DR. SUSAN LOVE RESEARCH  
FOUNDATION**

June 30, 2014



# 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 financial statements of Dr. Susan Love Research Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

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

Management is responsible for the preparation and fair presentation of these 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 involves performing procedures to obtain audit 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 control relevant to the entity'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 entity'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.

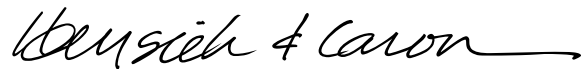
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dr. Susan Love Research Foundation as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Report on Summarized Comparative Information***

We have previously audited Dr. Susan Love Research Foundation's 2013 financial statements, and our report dated September 23, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Pasadena, CA  
August 19, 2014

**DR. SUSAN LOVE RESEARCH FOUNDATION**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2014**  
**WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2013**

**ASSETS**

	<b>2014</b>			<b>2013</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>	<b>Total</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 363,254	\$ -	\$ 363,254	\$ 66,470
Accounts receivable	9,000	-	9,000	15,355
Contributions and grants receivable	16,298	-	16,298	250,000
Prepaid expenses	28,367	-	28,367	31,823
Investments	3,029,645	-	3,029,645	3,646,632
Patents, net	12,903	-	12,903	14,703
Property, equipment and web site, net	491,024	-	491,024	363,413
Security deposit	21,261	-	21,261	21,261
<b>Total Assets</b>	<b>\$ 3,971,752</b>	<b>\$ -</b>	<b>\$ 3,971,752</b>	<b>\$ 4,409,657</b>

**LIABILITIES AND NET ASSETS**

<b>Liabilities</b>				
Accounts payable	\$ 58,536	\$ -	\$ 58,536	\$ 60,030
Accrued salaries and vacation	11,702	-	11,702	7,061
Accrued rent	34,417	-	34,417	50,144
Grants payable	10,000	-	10,000	21,200
<b>Total Liabilities</b>	<b>114,655</b>	<b>-</b>	<b>114,655</b>	<b>138,435</b>
<b>Net Assets</b>	<b>3,857,097</b>	<b>-</b>	<b>3,857,097</b>	<b>4,271,222</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 3,971,752</b>	<b>\$ -</b>	<b>\$ 3,971,752</b>	<b>\$ 4,409,657</b>

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, 2014**  
**WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2013**

	<b>2014</b>			<b>2013</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>	<b>Total</b>
<b>Support and Revenue</b>				
Grants, contracts and contributions	\$ 1,081,957	\$ -	\$ 1,081,957	\$ 1,427,531
Gifts in kind	13,872	-	13,872	13,390
Special events, net of direct expenses of \$30,338 in 2014 and \$34,624 in 2013	212,144	-	212,144	186,733
Investment returns	433,024	-	433,024	204,607
Product sales, net of cost of sales of \$649 in 2014 and \$150 in 2013	2,345	-	2,345	15,613
Program income	25,500	-	25,500	72,392
Net assets released from program restrictions	784,341	(784,341)	-	-
<b>Total Support and Revenue</b>	<b>2,553,183</b>	<b>(784,341)</b>	<b>1,768,842</b>	<b>1,920,266</b>
<b>Expenses</b>				
Program	1,821,261	-	1,821,261	1,918,834
Management and general	152,068	-	152,068	203,525
Fundraising	209,638	-	209,638	183,491
<b>Total Expenses</b>	<b>2,182,967</b>	<b>-</b>	<b>2,182,967</b>	<b>2,305,850</b>
<b>Change in Net Assets</b>	<b>370,216</b>	<b>(784,341)</b>	<b>(414,125)</b>	<b>(385,584)</b>
<b>Net Assets, Beginning of Year</b>	<b>3,486,881</b>	<b>784,341</b>	<b>4,271,222</b>	<b>4,656,806</b>
<b>Net Assets, End of Year</b>	<b>\$ 3,857,097</b>	<b>\$ -</b>	<b>\$ 3,857,097</b>	<b>\$ 4,271,222</b>

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, 2014**  
**WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2013**

	<u>2014</u>	<u>2013</u>
<b>Cash Flows from Operating Activities</b>		
Change in Net Assets	\$ (414,125)	\$ (385,584)
Adjustments to reconcile the change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	144,090	94,713
Realized and unrealized (gains) losses on investments	(222,735)	(52,590)
Bad debts	-	(1,500)
(Increase) Decrease in:		
Accounts receivable	6,355	(8,383)
Contributions and grants receivable	233,702	(208,737)
Interest receivable	-	4,750
Prepaid expenses	3,456	3,111
Increase (Decrease) in:		
Accounts payable	(1,494)	34,940
Accrued salaries	4,641	(82,158)
Accrued rent	(15,727)	(8,774)
Grants payable	(11,200)	(28,000)
<b>Net Cash Used in Operating Activities</b>	<u>(273,037)</u>	<u>(638,212)</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sales of investments	1,050,000	3,944,714
Purchase of investments	(210,278)	(4,101,464)
Purchase of property, equipment and web site	(269,901)	(270,156)
<b>Net Cash Provided by (Used in) Investing Activities</b>	<u>569,821</u>	<u>(426,906)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	296,784	(1,065,118)
<b>Cash and Cash Equivalents, Beginning</b>	<u>66,470</u>	<u>1,131,588</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 363,254</u>	<u>\$ 66,470</u>
<b>Supplementary Information</b>		
Interest received	<u>\$ 210,289</u>	<u>\$ 155,247</u>
Interest paid	<u>\$ 930</u>	<u>\$ -</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, 2014**  
WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2013

	<b>2014</b>							<b>2013</b>	
	<b>Army of Women</b>	<b>Health of Women Study</b>	<b>Clinical Research</b>	<b>Education</b>	<b>Total Program</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>	<b>Total</b>
Salaries	\$ 277,500	\$ 237,917	\$ 178,962	\$ 115,707	\$ 810,086	\$ 105,637	\$ 100,681	\$ 1,016,404	\$ 1,151,429
Occupancy	72,456	60,927	52,968	31,788	218,139	6,014	26,490	250,643	248,681
Contract services	58,839	41,764	53,660	28,499	182,762	2,406	26,014	211,182	273,176
Website content and maintenance	111,806	43,203	275	6,550	161,834	-	-	161,834	149,006
Depreciation and amortization	-	-	144,090	-	144,090	-	-	144,090	94,713
Benefits	23,213	19,774	15,474	10,317	68,778	9,875	8,597	87,250	55,001
Payroll taxes	21,189	18,050	14,126	9,417	62,782	7,848	7,848	78,478	91,690
Insurance	8,198	6,982	33,757	3,643	52,580	2,301	3,036	57,917	59,923
Marketing and communications	20,239	10,898	6,616	1,169	38,922	3,322	5,221	47,465	58,631
Travel	4,177	3,729	8,883	27,052	43,841	215	1,644	45,700	41,180
Supplies	12,717	4,432	5,678	1,521	24,348	6,707	5,706	36,761	28,733
Bank charges	-	-	-	-	-	2,470	14,121	16,591	12,559
Computer expenses	3,405	2,900	2,270	1,513	10,088	1,261	4,991	16,340	24,489
Dues and subscriptions	2,208	-	808	4,646	7,662	40	3,431	11,133	9,892
Education and meetings	673	644	165	1,531	3,013	2,516	1,323	6,852	12,290
Printing, copying and postage	850	489	11	652	2,002	526	535	3,063	10,040
Expendable equipment	-	-	1,143	391	1,534	-	-	1,534	402
Interest	-	-	-	-	-	930	-	930	-
Programs and grants	-	-	(11,200)	-	(11,200)	-	-	(11,200)	(14,485)
Bad debts (recovery)	-	-	-	-	-	-	-	-	(1,500)
<b>Total Expenses</b>	<b>\$ 617,470</b>	<b>\$ 451,709</b>	<b>\$ 507,686</b>	<b>\$ 244,396</b>	<b>\$ 1,821,261</b>	<b>\$ 152,068</b>	<b>\$ 209,638</b>	<b>\$ 2,182,967</b>	<b>\$ 2,305,850</b>
					83.4%	7.0%	9.6%	100.0%	

The accompanying notes are an integral part of these statements.

**DR. SUSAN LOVE RESEARCH FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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

**Nature of the Organization**

The Mission of the Dr. Susan Love Research Foundation (DSLRF) is dedicated to achieving a future without breast cancer by engaging the public and the scientific communities in innovative research on cause and prevention.

The Foundation is currently focused on facilitating research through the Serial Evaluation of Ductal Epithelium (SEDE) Study and Army of Women (AOW), conducting research through the Health of Women (HOW) Study and inspiring research through the pilot grants program and clinical research collaborations.

**Translational Clinical Research**

DSLRF conducts clinical translation research focused on understanding the normal breast and the early changes that could cause cancer. From 1998 through 2014 grants have been 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**

Dr. Susan Love Research Foundation's Army of Women has two key goals:

- To recruit women and men of every age and ethnicity, including breast cancer survivors, women and men at high-risk for the disease, and healthy women and men, to partner with breast cancer researchers and directly participate in the research that will lead to eradicating breast cancer once and for all.
- To challenge the scientific community to shift the emphasis of research beyond the cure to focus on breast cancer prevention research by identifying the cause.

To date, more than 376,000 women and men have registered with the Army of Women to learn about new breast cancer research and to sign up to participate in research projects.

**Health of Women Study**

The Health of Women Study (HOW) will track thousands of women (and men) over time to learn what causes breast cancer, and how to prevent it. The HOW Study will also study long-term breast cancer survivors in order to get a better understanding of how they are beating the odds. The HOW Study is available online and participants are asked to complete a series of questionnaires. HOW Study questionnaires currently cover basic demographics, reproductive history, general health measures, family health history and weight/exercise history. Participants with a history of breast cancer are invited to complete questionnaires related to their diagnosis and treatment. Questionnaires are currently in development for environmental factors and collateral damage from breast cancer treatment. This is the first time a study of this size and magnitude is collecting data entirely online. Since its launch, more than 50,000 women and men have registered for the HOW Study and the number is growing every day.



**DR. SUSAN LOVE RESEARCH FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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

**Nature of the Organization** (continued)

**Microbiome of the Breast**

In collaboration with the John Wayne Cancer Institute, Dr. Susan Love Research Foundation collected nipple aspirate fluid from 20 volunteers with a history of breast cancer and 20 who had not developed the disease. The samples are currently being analyzed for the presence of bacterial and viral DNA. Our initial data shows a definite presence of bacteria in the breast but further analysis is needed to determine the types and functions. This is an exciting area of work that has not been previously explored, but it is gaining recognition and interest from the scientific community as a promising research direction.

**Mapping DCIS**

Ductal Carcinoma in Situ (DCIS), also referred to as Stage 0 breast cancer or pre-cancer, begins in the lining of a milk duct and is often diagnosed on a mammogram as microcalcification. According to the American Cancer Society, nearly 65,000 cases of DCIS were diagnosed in 2013. It is the most common form of in situ breast cancer, and may or may not progress to become invasive cancer. Studies suggest that only about one-third of DCIS would progress to invasive cancer if left untreated. Although the current recommendation for patients diagnosed with DCIS is breast-conserving surgery, the lack of an accurate imaging tool to visualize the anatomy of a milk duct containing the disease, or to determine the extent of disease within the duct, often precludes the ability to obtain clean margins, leading to mastectomies. Dr. Susan Love Research Foundation, in collaboration with The Valley Hospital (Ridgewood, NJ) are exploring a technique of instilling saline solution into the milk duct, then imaging it with 3D ultrasound to visualize the milk duct and map the extent of a patient's DCIS. This could lead to better surgery planning and ultimately to a goal of documenting a patient's DCIS in order to develop a surveillance program to monitor this non-invasive disease.

**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 sponsor webinars regarding the results of research done through the AOW and HOW studies.

**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, 2014**

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

**Public Support and Revenue** (continued)

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 \$13,872, at June 30, 2014.

**Accounts, Contributions and Grants Receivable**

The Foundation uses the direct write off method to determine uncollectible receivables. The annual write off is based on 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.

**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.

**DR. SUSAN LOVE RESEARCH FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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

**Income Taxes** (continued)

The Foundation files form 990 with the Internal Revenue Service, and files related exempt organization returns in the State of California. The returns are generally no longer subject to examination by the Internal Revenue Service for years ending before 2011, or by the State of California for years ending before 2010.

**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, 2014, the Foundation's uninsured cash balances were \$343,317.

**Note 3 – Accounts Receivable**

Accounts receivable consists of the following:

	<u>2014</u>	<u>2013</u>
Accounts receivable	\$ 9,000	\$ 15,355
Less allowance for doubtful accounts	-	-
	<u>\$ 9,000</u>	<u>\$ 15,355</u>

**Note 4 – Contributions and Grants Receivable**

Contributions and grants receivable consist of the following:

	<u>2014</u>	<u>2013</u>
Contributions and grants receivable	\$ 16,298	\$ 250,000
Less allowance for doubtful accounts	-	-
	<u>\$ 16,298</u>	<u>\$ 250,000</u>

**Note 5 – Investments**

As of June 30, 2014 and 2013 investments consist of the following:

<u>2014</u>	<u>Aggregate Fair Value</u>	<u>Cost</u>
Mutual funds	\$ 2,878,566	\$ 2,752,338
Money market funds	151,079	151,079
Total	<u>\$ 3,029,645</u>	<u>\$ 2,903,417</u>

**DR. SUSAN LOVE RESEARCH FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**Note 5 – Investments** (continued)

<u>2013</u>	<u>Aggregate Fair Value</u>	<u>Cost</u>
Mutual funds	\$ 3,495,628	\$ 3,464,057
Money market funds	151,004	151,004
Total	<u>\$ 3,646,632</u>	<u>\$ 3,615,061</u>

Investment returns are summarized as follows:

	<u>2014</u>	<u>2013</u>
Interest and dividends	\$ 210,290	\$ 155,247
Investment fees	-	(3,230)
Net realized and unrealized gains	222,734	52,590
Total	<u>\$ 433,024</u>	<u>\$ 204,607</u>

**Note 6 – Property, Equipment and Web Site**

Property, equipment and web site consist of the following:

	<u>2014</u>	<u>2013</u>
Leasehold improvements	\$ 18,550	\$ 18,550
Equipment	149,760	149,760
Web design	664,240	664,240
Web design in progress	329,756	59,855
	<u>1,162,306</u>	<u>892,405</u>
Less accumulated depreciation	671,282	528,992
	<u>\$ 491,024</u>	<u>\$ 363,413</u>

**Note 7 – Lease Commitments**

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

<u>Years ending June 30,</u>	
2015	\$ 245,895
2016	104,446

Rent expense for the year ended June 30, 2014 and 2013 was \$230,660 and \$228,632, respectively.

**DR. SUSAN LOVE RESEARCH FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**Note 8 – Net Assets**

Net assets consist of the following:

	<b>2014</b>	<b>2013</b>
<b>Unrestricted Net Assets</b>		
Board Designated Operating Reserves	\$ 475,000	\$ 475,000
Operating Net Assets, Including Reserves For Future Operations and Programs	3,382,097	3,011,881
<b>Total Unrestricted Net Assets</b>	<b>\$ 3,857,097</b>	<b>\$ 3,486,881</b>

**Note 9 – Fair Value Measurements**

Fair values of assets measured on a recurring basis at June 30, 2014 are as follows:

	<b>Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Other Unobservable Inputs (Level 3)</b>
Investments	\$ 3,029,645	\$ 3,029,645	\$ -	\$ -

Fair values of assets measured on a recurring basis at June 30, 2013 are as follows:

	<b>Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Other Unobservable Inputs (Level 3)</b>
Investments	\$ 3,646,632	\$ 3,646,632	\$ -	\$ -

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

**Note 10 – Salary Deferral Plan**

The Foundation maintains salary deferral plan under Internal Revenue Service code section 401K which covers substantially all employees meeting minimum service requirements. The Foundation does not contribute to this plan.

**Note 11 – Subsequent Events**

Subsequent events were evaluated through August 19, 2014, 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.