



National Breast Cancer Foundation, Inc.

Financial Statements

June 30, 2016

(with comparative totals for 2015)

National Breast Cancer Foundation, Inc.

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Independent Auditors' Report

Board of Directors
National Breast Cancer Foundation, Inc.

We have audited the accompanying financial statements of National Breast Cancer Foundation, Inc. (Organization) which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses and cash flows for the year 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 U.S. generally accepted accounting principles; 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.

Auditors' Responsibility

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 from 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 auditors' 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 auditors consider 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 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 National Breast Cancer Foundation, Inc. as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Report on Summarized Comparative Information

We have previously audited the Organization's 2015 financial statements, and our report dated August 13, 2015, 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, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Sutton Frost Cary

A Limited Liability Partnership

September 2, 2016
Arlington, Texas

National Breast Cancer Foundation, Inc.
Statement of Financial Position
June 30, 2016
(with comparative totals for 2015)

	2016	2015
Assets		
Cash and cash equivalents	\$ 3,239,446	\$ 4,236,323
Investments	3,420,064	4,089,071
Contributions receivable	297,841	239,808
Royalties receivable	270,471	707,101
Other receivables	251,679	177,298
Prepaid expenses and other assets	184,939	182,876
Property and equipment, net	646,403	491,495
Total assets	\$ 8,310,843	\$ 10,123,972
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 401,482	\$ 178,201
Grants payable	1,598,000	1,672,000
Deferred rent liability	197,945	125,543
Total liabilities	2,197,427	1,975,744
Net assets:		
Unrestricted	5,904,514	7,651,540
Temporarily restricted	208,902	496,688
Total net assets	6,113,416	8,148,228
Total liabilities and net assets	\$ 8,310,843	\$ 10,123,972

See accompanying notes to financial statements.

National Breast Cancer Foundation, Inc.
Statement of Activities
Year Ended June 30, 2016
(with comparative totals for 2015)

	Unrestricted	Temporarily Restricted	Totals	
			2016	2015
Revenue and other support:				
Contributions and royalties	\$ 8,809,311	\$ -	\$ 8,809,311	\$ 10,619,993
In-kind contributions	1,278,973	208,640	1,487,613	2,209,173
Grants	-	-	-	835,796
Online store, net of expenses	4,187	-	4,187	1,720
Investment income	122,308	-	122,308	63,230
Realized investment gain (loss)	(35,696)	-	(35,696)	191,948
Unrealized investment gain (loss)	15,051	-	15,051	(279,324)
Net assets released from restrictions	496,426	(496,426)	-	-
Total revenue and other support	10,690,560	(287,786)	10,402,774	13,642,536
Expenses:				
Program services:				
Detection and patient services	5,554,691	-	5,554,691	6,793,644
Awareness and education	3,911,089	-	3,911,089	4,804,801
Research	582,513	-	582,513	723,941
Total program services	10,048,293	-	10,048,293	12,322,386
Supporting services:				
Management and general	1,191,796	-	1,191,796	1,138,480
Fundraising	1,197,497	-	1,197,497	1,028,298
Total supporting services	2,389,293	-	2,389,293	2,166,778
Total expenses	12,437,586	-	12,437,586	14,489,164
Change in net assets	(1,747,026)	(287,786)	(2,034,812)	(846,628)
Net assets at beginning of year	7,651,540	496,688	8,148,228	8,994,856
Net assets at end of year	\$ 5,904,514	\$ 208,902	\$ 6,113,416	\$ 8,148,228

See accompanying notes to financial statements.

National Breast Cancer Foundation, Inc.
Statement of Functional Expenses
Year Ended June 30, 2016
(with comparative totals for 2015)

	Detection and Patient Services	Awareness and Education	Research	Total Program	Management and General	Fundraising	Total Supporting	Totals	
								2016	2015
Grants and related costs	\$ 3,799,501	\$ 1,717,256	\$ 400,000	\$ 5,916,757	\$ -	\$ -	\$ -	\$ 5,916,757	\$ 7,767,962
Salaries and benefits	1,263,563	788,145	132,118	2,183,826	801,768	630,852	1,432,620	3,616,446	3,230,615
Professional and outside services	30,946	481,215	3,233	515,394	42,073	162,059	204,132	719,526	1,142,674
Office expense	257,260	205,481	26,443	489,184	193,504	150,940	344,444	833,628	906,215
General and administrative	138,411	399,174	14,866	552,451	123,703	163,865	287,568	840,019	792,079
Sales and marketing	39,990	267,792	871	308,653	26,794	63,006	89,800	398,453	433,294
Travel	25,020	52,026	4,982	82,028	3,954	26,775	30,729	112,757	216,325
Totals	<u>\$ 5,554,691</u>	<u>\$ 3,911,089</u>	<u>\$ 582,513</u>	<u>\$ 10,048,293</u>	<u>\$ 1,191,796</u>	<u>\$ 1,197,497</u>	<u>\$ 2,389,293</u>	<u>\$ 12,437,586</u>	<u>\$ 14,489,164</u>

See accompanying notes to financial statements.

National Breast Cancer Foundation, Inc.
Statement of Cash Flows
Year Ended June 30, 2016
(with comparative totals for 2015)

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ (2,034,812)	\$ (846,628)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	161,238	206,670
Realized investment (gain) loss	35,696	(191,948)
Unrealized investment (gain) loss	(15,051)	279,324
Deferred rent amortization	(2,669)	(25,613)
Changes in assets and liabilities:		
Contributions receivable	(58,033)	265,426
Royalties receivable	436,630	(245,142)
Other receivables	(74,381)	18,218
Prepaid expenses and other assets	(2,063)	(11,903)
Accounts payable and accrued expenses	223,281	(40,507)
Deferred rent liability	75,071	-
Grants payable	(74,000)	1,412,000
Net cash provided (used) by operating activities	(1,329,093)	819,897
Cash flows from investing activities:		
Purchases of property and equipment	(316,146)	(60,435)
Proceeds from sale of investments	4,557,950	5,463,540
Purchases of investments	(3,909,588)	(3,775,001)
Net cash provided by investing activities	332,216	1,628,104
Change in cash and cash equivalents	(996,877)	2,448,001
Cash and cash equivalents at beginning of year	4,236,323	1,788,322
Cash and cash equivalents at end of year	\$ 3,239,446	\$ 4,236,323

See accompanying notes to financial statements.

National Breast Cancer Foundation, Inc.

Notes to Financial Statements

1. Organization

The National Breast Cancer Foundation, Inc. (Organization) was incorporated April 25, 1991 as a Texas nonprofit corporation to save lives through early detection and to provide mammograms for those in need. The Organization's stated mission is: "Helping women now. Providing help and inspiring hope to those affected by breast cancer through early detection, education and support services." The Organization is primarily supported by contributions from individuals and other organizations.

2. Summary of Significant Accounting Policies

Basis of Accounting

The Organization prepares the financial statements on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP).

Comparative Information

The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted net assets - Net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor stipulations that will be met by actions of the Organization and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that will never lapse thus requiring the funds to be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purpose. The Organization did not have any permanently restricted net assets as of June 30, 2016 or 2015.

National Breast Cancer Foundation, Inc.

Notes to Financial Statements

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid investments with insignificant interest rate risk and original maturities of three months or less.

Investments

Investments in marketable securities are stated at fair value. Realized and unrealized gains and losses, as well as related investment income, are reflected in the statement of activities.

Royalties Receivable

All royalty receivables are expected to be collected in a term of less than one year. Based on management's assessment of collectability, no allowance for doubtful accounts has been recorded as of June 30, 2016 or 2015.

Property and Equipment

Property and equipment purchased by the Organization are recorded at cost or if acquired by gift, at the fair value at the date of the gift. The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of \$1,000; the fair value of donated fixed assets is similarly capitalized. Depreciation is calculated using the straight-line method based upon the estimated useful lives of 3 to 10 years, except for leasehold improvements which are amortized over the lesser of the useful life of the asset or the term of the lease.

The Organization reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

National Breast Cancer Foundation, Inc.

Notes to Financial Statements

Grants Payable

Grants are recorded by the Organization upon approval by its Board of Directors and notification to the grantee. All grants are payable within one year from when they are approved.

Deferred Rent

The Organization has entered into an operating lease agreement for its corporate office, which contains a provision for future rent increases and tenant improvement allowances. In accordance with GAAP, rent cost is accounted for on a straight-line basis over the rent term.

Revenue Recognition

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected and reduced by an allowance for uncollectible amounts. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. All contributions receivable as of June 30, 2016 and 2015 were expected to be received within one year. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution and nature of fundraising activity.

Volunteers, business firms and others contribute substantial amounts of services, educational materials and other items toward the fulfillment of programs initiated by the Organization. To the extent that noncash contributions which are under the control of the Organization are objectively measurable and represent program or support expenses which would be otherwise incurred, they are reflected as in-kind contributions and expense in the accompanying financial statements. In-kind contributions are stated at their estimated value at date of receipt.

The Organization enters into licensing agreements with sponsors, whereby it grants the sponsor use of its name and logo. Where these agreements provide for a guaranteed minimum royalty over the term of the agreement, the Organization recognizes income as earned. Where these agreements do not provide for a guaranteed minimum royalty, income is recognized when received.

Contributions of services are recorded at estimated fair value if the services received create or enhance nonfinancial assets or require specialized skills and would typically need to be purchased if not provided by donation. The Organization received donated services related to the creation of the educational web-based courses with a fair market value of \$193,800 for the year ended June 30, 2016, reflected in the accompanying statement of activities as in-kind contribution and expense.

National Breast Cancer Foundation, Inc.

Notes to Financial Statements

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimated.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (IRC) as an organization described in IRC Section 501(c)(3), except to the extent it has unrelated business income. In addition, the Organization has been determined by the Internal Revenue Service (IRS) not to be a private foundation within the meaning of Section 509(a) of the IRC. For the years ended June 30, 2016 and 2015, the Organization had no unrelated business income. Accordingly, no provision for income taxes has been provided in the accompanying financial statements.

GAAP requires the evaluation of tax positions taken in the course of preparing the Organization's tax return and recognition of a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Organization, and has concluded that as of June 30, 2016 and 2015, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

3. Investments

The Organization records financial instruments at estimated fair value. Fair value accounting defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

National Breast Cancer Foundation, Inc.

Notes to Financial Statements

Level 1	Quoted prices in active markets for identical assets or liabilities as of the reporting date;
Level 2	Observable inputs other than Level 1 prices, such as quoted prices in active markets for similar assets or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets;
Level 3	Unobservable inputs that are supported by little or no market activity and the reporting entity makes estimates or assumptions related to the pricing of the asset or liability including assumptions regarding risk.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy:

Mutual funds: Valued at the net asset value (NAV) of shares held by the Organization at year end. The NAV is a quoted price in an active market.

Stocks and U.S. government bonds: Valued at the closing price reported on the active market on which the individual securities are traded.

Exchange-Traded Funds: Exchange-traded funds traded on a national securities exchange are stated at the last reported sales price on the day of valuation. To the extent these securities are actively traded and valuation adjustments are not applied, they are categorized in Level 1 of the fair value hierarchy.

The investments held by the Organization are measured using Level 1 inputs.

The following table sets forth the Organization's investments at cost and fair value as of June 30:

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
Large cap mutual funds	\$ 1,152,898	\$ 1,140,845	\$ 1,718,200	\$ 1,733,072
Stocks and ETFs	87,041	98,014	87,041	87,041
Fixed income mutual funds	1,869,562	1,856,592	1,806,446	1,777,735
U.S. government bonds	-	-	166,873	150,287
Total investments	\$ 3,109,501	\$ 3,095,451	\$ 3,778,560	\$ 3,748,135

National Breast Cancer Foundation, Inc.
Notes to Financial Statements

Certificates of deposit carried at cost plus accrued interest totaling \$324,613 and \$340,936 at June 30, 2016 and 2015, respectively, do not meet the definition of a security and thus are not included in the above fair value.

4. Property and Equipment

Property and equipment consist of the following at June 30:

	2016	2015
Furniture and equipment	\$ 314,535	\$ 294,991
Software	236,014	163,326
Computer equipment	247,905	187,692
Production equipment	169,648	164,152
Office equipment	155,914	168,419
Leasehold improvements	887,088	819,886
	2,011,104	1,798,466
Less accumulated depreciation	(1,364,701)	(1,306,971)
Total property and equipment, net	\$ 646,403	\$ 491,495

Depreciation and amortization expense for the years ended June 30, 2016 and 2015 totaled \$161,238 and \$206,670, respectively.

5. Temporarily Restricted Net Assets

Temporarily restricted net assets totaled \$208,902 and \$496,688 at June 30, 2016 and 2015, respectively. The net assets were restricted for program use for the following year.

6. Retirement Programs

The Organization sponsors a variable deferred compensation plan administered by a national insurance company. The plan allows for an employer contribution of twenty-one percent of total employee compensation with certain limits. The Organization also sponsors a 401(k) plan with an employer match of employee contributions not to exceed four percent of the employee's annual compensation. During the years ended June 30, 2016 and 2015, the Organization contributed \$492,536 and \$298,275, respectively, to the plans.

National Breast Cancer Foundation, Inc.

Notes to Financial Statements

7. Lease Commitment

The Organization leases its corporate office space under a non-cancellable operating lease agreement expiring May 31, 2018. The lease includes tenant improvement allowances and fixed rent escalations, which are amortized and recorded over the lease term on a straight-line basis. The lease has a five-year option to renew at the prevailing market rates and requires the Organization pay common area maintenance costs. Total rent expense for the office lease for the years ended June 30, 2016 and 2015 was approximately \$554,000 and \$454,000, respectively.

Future minimum lease payments under the lease agreement for the years ending June 30 are as follows:

2017	\$	538,793
2018		555,794
2019		605,138
2020		613,959
2021		204,653
Total future minimum lease payments	\$	<u>2,518,337</u>

8. Concentrations and Credit and Market Risk

The Organization derives the majority of its revenue from contributors primarily in the United States of America. Continued funding from these sources at current levels is dependent upon various factors. Such factors include economic conditions, compliance with donor restrictions and satisfaction, and public perception of mission effectiveness and relative importance.

Financial instruments which are potentially subject to concentrations of credit and market risk consist principally of cash and cash equivalents, investments and royalties receivables. Cash and cash equivalents are placed with high credit quality financial institutions, which at times may exceed federally insured limits. At June 30, 2016, cash balances exceeded federally insured limits by \$2,698,988. The Organization has not experienced any loss on such accounts.

Investments are exposed to a variety of uncertainties, including interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is possible that changes in the values of these instruments could occur in the near term. Such changes could materially affect the amounts reported in the financial statements of the Organization. Management is of the opinion that the diversification of its invested assets among the various asset classes should mitigate the impact of changes.

One sponsor accounted for approximately 32% and 40% of the total royalties receivable at June 30, 2016 and 2015, respectively.

National Breast Cancer Foundation, Inc.

Notes to Financial Statements

9. Related Party Transactions

During the years ended June 30, 2016 and 2015, the Organization awarded a National Mammography Program Grant in the amount of \$50,000 and \$75,000, respectively, to a hospital for which a member of the Board of Directors is a director. During the years ended June 30, 2016 and 2015, the Organization awarded National Mammography and Patient Navigator Program Grants in the amount of \$75,563 and \$188,000, respectively, to a hospital for which a member of the Board of Directors is also a director. The grants are included as program expense in the accompanying statement of activities.

During the year ended June 30, 2016, the Organization paid \$106,220 to a vendor for education web-based courses of which the Executive Vice President is a member of the board of directors. The expenditures are included as program expense in the accompanying statement of activities.

The Chief Executive Officer, Chief Operating Officer, Senior Vice President of Development and Senior Consultant for the Organization are related. Management believes the terms of the related party transactions for employment are more favorable to the Organization than could be attained from non-affiliated parties.

10. Subsequent Events

The Organization evaluated subsequent events after the statement of financial position date of June 30, 2016 through September 2, 2016, which was the date the financial statements were available to be issued, and concluded that no additional disclosures are required.