NATIONAL BREAST CANCER FOUNDATION, INC.

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT
THEREON

THE YEARS ENDED JUNE 30, 2012 AND 2011

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
National Breast Cancer Foundation, Inc.
Frisco, Texas

We have audited the accompanying statement of financial position of National Breast Cancer Foundation, Inc. (a nonprofit organization) as of June 30, 2012, and the related statements of activities, functional expenses, and cash flows 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 the Organization's 2011 financial statements and, in our report dated August 23, 2011, we expressed an unqualified opinion on those financial statements.

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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. 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 National Breast Cancer Foundation, Inc. as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The MB Group, LLC

Plano, Texas
September 6, 2012

NATIONAL BREAST CANCER FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2012

(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2011)

	2012	2011
ASSETS		
Cash and cash equivalents	$ 1,096,693	$ 234,284
Investments	6,372,935	7,494,683
Prepaid expenses and other assets	189,273	239,274
Royalties receivable	475,672	737,002
Other receivables	661,500	368,712
Property and equipment, net	854,689	258,955
Total Assets	$ 9,650,762	$ 9,332,910
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and other liabilities	$ 383,365	$ 63,386
Deferred rent liability	234,256	36,874
Promise to give others	400,000	-
Total Liabilities	1,017,621	100,260
Net Assets:		
Unrestricted	8,413,166	9,232,650
Temporaily Restricted	219,975	-
Total Net Assets	8,633,141	9,232,650
Total Liabilities and Net Assets	$ 9,650,762	$ 9,332,910

The accompanying notes to financial statements are an integral part of these financial statements.

NATIONAL BREAST CANCER FOUNDATION, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2012

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011)

	Unrestricted	Temporarily Restricted	Totals 2012	Totals 2011
Revenue and Other Support:				
Contributions	$ 8,685,204	$ -	$ 8,685,204	$ 10,322,767
In-kind contributions	3,820,615	219,975	4,040,590	1,409,438
Investment income	185,458	-	185,458	186,390
Realized investment gain (loss)	15,866	-	15,866	6,535
Unrealized investment gain (loss)	(27,487)	-	(27,487)	89,708
Grants	250,000	-	250,000	-
Event / fundraiser	418,623	-	418,623	-
Total Revenue and Other Support	13,348,279	219,975	13,568,254	12,014,838
Expenses:				
Program Services:				
Breast cancer awareness	7,684,794	-	7,684,794	4,148,111
Breast cancer detection	3,445,648	-	3,445,648	3,691,921
Breast cancer research	1,051,751	-	1,051,751	801,709
Total Program Services	12,182,193	-	12,182,193	8,641,741
Management and general	929,917	-	929,917	725,003
Fund raising	1,054,952	-	1,054,952	1,029,347
Total Expenses	14,167,062	-	14,167,062	10,396,091
Loss on the sale of equipment	701	-	701	2,510
Total Expenses and Losses	14,167,763	-	14,167,763	10,398,601
Change in net assets	$ (819,484)	$ 219,975	$ (599,509)	$ 1,616,237
Net assets at beginning of year	9,232,650	-	9,232,650	7,616,413
Net assets at end of year	$ 8,413,166	$ 219,975	$ 8,633,141	$ 9,232,650

The accompanying notes to financial statements are an integral part of these financial statements.

NATIONAL BREAST CANCER FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2012

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011)

	Program Services	Management and General	Fund Raising	Totals 2012	Totals 2011
Breast cancer awareness programs	$ 5,259,666	$ -	$ -	$ 5,259,666	$ 3,360,722
Breast cancer detection programs	2,640,077	-	-	2,640,077	2,986,552
Breast cancer research programs	875,446	-	-	875,446	654,073
Salaries and benefits	1,367,222	652,546	485,921	2,505,689	1,962,284
Professional and outside services	900,382	37,048	131,858	1,069,288	213,116
Office expense	804,102	193,532	185,028	1,182,662	749,992
Travel	278,269	15,053	103,526	396,848	123,540
Sales and marketing	17,941	13,630	125,496	157,067	267,888
General and administrative expense	39,088	18,108	23,123	80,319	77,924
Totals	$12,182,193	$ 929,917	$ 1,054,952	$14,167,062	$10,396,091

The accompanying notes to financial statements are an integral part of these financial statements.

NATIONAL BREAST CANCER FOUNDATION, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2012

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011)

	2012	2011
Cash Flows from Operating Activities:		
Change in net assets	$ (599,509)	$ 1,616,237
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	136,353	170,774
Realized investment (gain) loss	(15,866)	(6,535)
Unrealized investment (gain) loss	27,487	(89,708)
Loss on sale of equipment	701	2,510
Deferred rent amortization	(14,293)	(6,636)
(Increase) decrease in:		
Prepaid expenses and other assets	50,001	(147,225)
Royalties receivable	261,330	880,206
Other receivables	(292,788)	(300,373)
Increase (decrease) in:		
Accounts payable and other liabilities	319,979	1,173
Promises to give others	400,000	-
Net cash provided by operating activities	273,395	2,120,423
Cash Flows from Investing Activities:		
Purchases of property and equipment	(521,113)	(97,973)
Proceeds from sale of investments	2,250,240	3,100,431
Purchases of investments	(1,140,113)	(5,433,556)
Net cash used in investing activities	589,014	(2,431,098)
Net increase (decrease) in cash and cash equivalents	862,409	(310,675)
Cash and Cash Equivalents at Beginning of Year	234,284	544,959
Cash and Cash Equivalents at End of Year	$ 1,096,693	$ 234,284
Supplemental Disclosures of Cash Flow Information - Cash paid for interest	$ -	$ 1,922
Supplemental Disclosures of Noncash Financing and Investing Activities-		
Acquistion of property and equipment through operating lease	$ 211,675	$ -

The accompanying notes to financial statements are an integral part of these financial statements.

NATIONAL BREAST CANCER FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

NOTE 1 – BACKGROUND AND SUMMARY OF ACCOUNTING POLICIES

Background

The National Breast Cancer Foundation, Inc. ("NBCF" or the "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 mission includes increasing awareness through education, providing diagnostic breast care services for those in need, and providing nurturing support services.

Basis of Accounting

The accounting policies of NBCF conform to accounting principles generally accepted in the United States of America. The financial statements of NBCF were prepared using the accrual basis of accounting. Material amounts of goods and services are recorded as assets or expenses at the time the liabilities arise, which is normally when title to the goods pass or when the services are received. Encumbrances representing outstanding purchase orders and other commitments for materials or services not yet received are not liabilities as of the reporting date.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and the accompanying notes. Accordingly, actual results could differ from those estimates.

Basis of Presentation

In order to comply with accounting principles generally accepted in the United States of America, NBCF must prepare its external financial statements in accordance with statements issued by the Financial Accounting Standards Board. The Board issued Accounting Standards Codification ("ASC") Topic 958, *"Not-for-Profit Entities,"* which requires that all not-for-profit organizations provide a statement of financial position, a statement of activities, and a statement of cash flows. It requires reporting amounts for NBCF's total assets, liabilities, and net assets in a statement of financial position; reporting the change in NBCF's net assets in a statement of activities; and reporting the change in its cash and cash equivalents in a statement of cash flows.

ASC 958 also requires classification of NBCF's net assets and its revenues, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets – permanently restricted, temporarily restricted, and unrestricted – be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities. NBCF does not have any permanently restricted net assets.

Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2011, from which the summarized information was derived.

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.

NOTE 1 – BACKGROUND AND SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

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, 2012 or 2011.

Property and Equipment

Property and equipment are recorded at acquisition cost. The Organization capitalizes assets with a cost greater than $500. Betterments and renewals are capitalized. Maintenance and repairs are charged to operations when incurred. Depreciation and amortization of capitalized assets is computed using the straight-line method over the estimated useful lives ranging from 3 to 10 years.

The Organization reports gifts of land, buildings, 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.

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 generally accepted accounting principles, the Organization records monthly rent expense equal to the total of the payments due over the lease term, divided by the number of months of the lease term. The difference between rent expense recorded and the amount paid is credited or charged to "Deferred Rent" which is reflected in the accompanying statement of financial position. Deferred rent at June 30, 2012 and 2011 was $234,256 and $36,874, respectively.

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met.

Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. All promises to give as of June 30, 2012 and 2011 were expected to be received within one year. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. 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 fund raising activity.

NOTE 1 – BACKGROUND AND SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Contributions (Continued)
The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions, whose restrictions are met in the same reporting period, are reported as unrestricted support.

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

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

Advertising
Advertising costs are expensed as incurred. During the years ended June 30, 2012 and 2011, the Organization had no advertising costs.

Fair Value Measurements
The Organization has adopted ASC 820 "*Fair Value Measurements and Disclosures,*" which among other things requires enhanced disclosures about investments that are measured and reported at fair value. ASC 820 establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Investments measured and reported at fair value are classified and disclosed in one of the following categories.

Level I – Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments reported in Level I include listed equities, options and corporate bonds. As required by ASC 820, the Organization does not adjust the quoted prices for these investments, even in situations where the Organization holds a large position and sale could reasonably impact the quoted price.

NOTE 1 – BACKGROUND AND SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

Level II – Pricing inputs include other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments which are reported in this category generally include securities such as less liquid and restricted equity securities and certain over-the-counter derivatives.

Level III – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are reported in this category generally include securities such as private equity investments, private limited partnership interests, long-term over-the-counter options, certain over-the-counter derivatives and certain bonds for which there is not an actively trading market.

In certain cases, the inputs used to measure fair value may fall into different levels of fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the level of input with the least amount of market observability that is significant to the fair value measurement. The Organization's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

Income Taxes

NBCF is a not-for-profit organization that is approved as a tax-exempt organization under Section 50l(c)(3) of the Internal Revenue Code, except to the extent of any unrelated business income. The Organization did not recognize any unrelated business income in the years ended June 30, 2012 or 2011.

The Organization has adopted the accounting rules regarding uncertainty in income taxes under ASC 740, *"Income Taxes"* which provides guidance for how uncertain tax positions should be recognized, presented, and disclosed in the financial statements. ASC 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the tax returns to determine whether the tax positions are "more-likely-than not" of being sustained by applicable tax authority. Tax positions deemed to meet the more-likely-than-not threshold would be recorded as tax benefit or expense in the current year. In the event of identification of an uncertain tax position requiring accrual, the Organization will accrue potential interest and penalties related to unrecognized tax benefits in provision for income taxes in the statement of activities. No such accruals were necessary at June 30, 2012 or 2011.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following as of June 30:

	2012	2011
Cash in bank	$ 1,096,693	$ 232,247
Undeposited funds	-	2,037
Total Cash and Cash Equivalents	$ 1,096,693	$ 234,284

NOTE 3 – INVESTMENTS

Investments are carried at fair value. Realized and unrealized gains and losses are reflected in the statement of activities. The following investments, all of which are valued as Level I investments as defined by the above ASC 820 fair value hierarchy, were held at June 30:

	2012		2011	
	Cost	Fair Value	Cost	Fair Value
Equity mutual funds:				
Large cap	$ 337,368	$ 409,459	$ 332,585	$ 403,678
Mid cap	30,032	39,418	29,899	40,470
International	179,375	192,218	175,405	224,120
Fixed income mutual funds	1,161,715	1,215,296	1,137,266	1,172,142
Corporate bonds and notes	1,282,545	1,272,696	1,753,517	1,746,881
U.S. government bonds	2,561,033	2,581,889	2,950,351	2,981,552
Certificates of deposit	665,096	661,959	932,405	925,840
Total Investments	$ 6,217,164	$ 6,372,935	$ 7,311,428	$ 7,494,683

NOTE 4 – PROPERTY AND EQUIPMENT

The following is a summary of property and equipment as of June 30:

	2012	2011
Furniture and equipment	$ 194,981	$ 152,434
Software	127,416	117,990
Leasehold improvements	805,294	234,426
Computer equipment	376,528	305,147
Office equipment	109,093	90,618
	1,613,312	900,615
Less accumulated depreciation and amortization	(758,623)	(641,660)
Total Property and Equipment, Net	$ 854,689	$ 258,955

Depreciation and amortization expense for the years ended June 30, 2012 and 2011 was $136,353 and $170,774, respectively.

NOTE 5 – PROMISES TO GIVE OTHERS

During the year ended June 30, 2012, NBCF committed to a multi-year grant of $500,000 over a five year period to fund a breast cancer patient navigator program in Africa. At June 30, 2012, the balance of the promise to give others was $400,000 due in the following fiscal years: 2013 – $100,000; 2014 – $100,000; 2015 – $100,000; and 2016 – $100,000.

NOTE 5 – PROMISES TO GIVE OTHERS (CONTINUED)

Promises to give others that will be paid in more than one year are measured in the aggregate using present value techniques that consider the promised cash flows and the Organization's year-end incremental internal borrowing rate which is approximately one percent (1%); and thus, the present value of the promised cash flows approximates the amount due on the on the grant at June 30, 2012.

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were $219,975 and $-0- for the years ended June 30, 2012 and 2011, respectively. The net assets were temporarily restricted for breast cancer awareness programs for the fiscal year ended 2013.

NOTE 7 – RETIREMENT PROGRAM

NBCF sponsors a variable deferred compensation plan which is 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 has a 401(k) plan with an employer match of employee contributions not to exceed four percent of the employee's annual compensation. Total retirement program expense for the fiscal years ended June 30, 2012 and 2011 was $323,196 and $256,604.

NOTE 8 – LEASE COMMITMENTS

NBCF entered into a sixty-five month lease agreement, effective February 10, 2006, with Hall Financial Group Ltd. to lease corporate offices. During the fiscal year ended June 30, 2009, the Organization entered into an agreement with its current Lessor to expand its lease space and extend the term of the lease. The original lease term was modified to extend the lease an additional 25 months commencing on December 1, 2011. On June 1, 2012, NBCF amended their lease agreement with Hall Financial Group to expand its lease space and extend the term of the lease through May 31, 2018. NBCF has a five year option to renew at the prevailing market rates.

NBCF pays common area maintenance costs under the lease agreement, and the monthly lease payments are $19,429 for the period January 1, 2009 to December 31, 2011; $20,274 for the period January 1, 2012 to May 31, 2012; $37,208 for the period June 1, 2012 to December 31, 2013, and periodically increasing through the end of the lease term in May 2018.

Total rent expense for office and equipment leases for the years ended June 30, 2012 and 2011 was approximately $265,000 and $244,000, respectively.

NOTE 8 – LEASE COMMITMENTS (CONTINUED)

Future minimum lease payments of office space for the next five fiscal years ended June 30 are as follows:

2013	$ 446,496
2014	446,496
2015	449,383
2016	458,685
2017	467,987
Thereafter	434,869
Total minimum lease payments	$ 2,703,916

NOTE 9 – CONCENTRATION AND CREDIT RISK

The Organization derives the majority of its revenue from contributions 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 stipulations and satisfaction, and public perception of mission effectiveness and relative importance.

Financial instruments which potentially subject the Organization to concentrations of credit risks consist primarily of cash and cash equivalents and royalties receivable. The Organization monitors levels of federally insured cash deposits in various financial institutions. In the course of operations, cash deposits may from time to time exceed federally insured limits. As of June 30, 2012, cash balances did not exceed federally insured limits.

Three sponsors accounted for approximately 41% of the total royalties receivable as of June 30, 2012, and two sponsors accounted for approximately 29% of total royalties receivable as of June 30, 2011. For the years ended June 30, 2012 and 2011, one donor accounted for approximately 21% and 13% of revenue, respectively.

NOTE 10 – RELATED PARTY TRANSACTIONS

During the years ended June 30, 2012 and 2011, an organization for which a member of the Board of Directors is an officer contributed approximately $71,000 and $74,000, respectively, to NBCF.

During the years ended June 30, 2012 and 2011, NBCF contributed approximately $75,000 and $35,000, respectively, to a hospital for which a member of the Board of Directors is an officer and recorded the contributions as program expenses in the accompanying statement of activities. During the year ended June 30, 2012, NBCF contributed approximately $75,000 to a hospital for which a member of the Board of Directors is a director and recorded the contributions as program expenses in the accompanying statement of activities. During the year ended June 30, 2012 and 2011, NBCF paid approximately $390,000 and $145,000, respectively, to a non-profit organization dedicated to the coordination of cancer research for which NBCF's CEO acts as a director.

NOTE 10 – RELATED PARTY TRANSACTIONS (CONTINUED)

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

NOTE 11 – SUBSEQUENT EVENTS

Subsequent events were evaluated through September 6, 2012, which is the date the financial statements were available to be issued. Through September 6, 2012, no events have occurred subsequent to the year ended June 30, 2012 that would require adjustment to, or disclosure in, the financial statements.