

Financial Statements

**DR. SUSAN LOVE RESEARCH
FOUNDATION**

June 30, 2013



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 financial statements of Dr. Susan Love Research Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, 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.

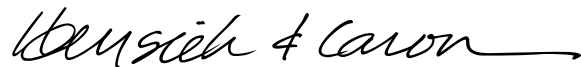
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2013, 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 2012 financial statements, and our report dated August 20, 2012, 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, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Pasadena, CA
September 23, 2013

DR. SUSAN LOVE RESEARCH FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013

WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2012

ASSETS

	2013			2012
	Unrestricted	Temporarily Restricted	Total	Total
Assets				
Cash and cash equivalents	\$ 66,470	\$ -	\$ 66,470	\$ 1,131,588
Accounts receivable	15,355	-	15,355	5,472
Contributions and grants receivable	-	250,000	250,000	41,263
Interest receivable	-	-	-	4,750
Prepaid expenses	31,823	-	31,823	34,934
Investments	3,112,291	534,341	3,646,632	3,437,292
Patents, net	14,703	-	14,703	16,503
Property, equipment and web site, net	363,413	-	363,413	186,170
Security deposit	21,261	-	21,261	21,261
Total Assets	\$ 3,625,316	\$ 784,341	\$ 4,409,657	\$ 4,879,233

LIABILITIES AND NET ASSETS

Liabilities				
Accounts payable	\$ 60,030	\$ -	\$ 60,030	\$ 25,090
Accrued salaries and vacation	7,061	-	7,061	89,219
Accrued rent	50,144	-	50,144	58,918
Grants payable	21,200	-	21,200	49,200
Total Liabilities	138,435	-	138,435	222,427
Net Assets	3,486,881	784,341	4,271,222	4,656,806
Total Liabilities and Net Assets	\$ 3,625,316	\$ 784,341	\$ 4,409,657	\$ 4,879,233

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, 2013
WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2012

	2013			2012
	Unrestricted	Temporarily Restricted	Total	Total
Support and Revenue				
Grants, contracts and contributions	\$ 1,177,531	\$ 250,000	\$ 1,427,531	\$ 1,892,396
Gifts in kind	13,390	-	13,390	31,446
Special events, net of direct expenses of \$34,624 in 2013 and \$16,061 in 2012	186,733	-	186,733	48,719
Conference registration and sponsorships	-	-	-	14,000
Investment returns	204,607	-	204,607	(166,132)
Product sales, net of cost of sales of \$150 in 2013 and \$1,341 in 2012	15,613	-	15,613	14,044
Program income	72,392	-	72,392	46,006
Net assets released from program restrictions	1,172,062	(1,172,062)	-	-
Total Support and Revenue	2,842,328	(922,062)	1,920,266	1,880,479
Expenses				
Program	1,918,834	-	1,918,834	1,592,327
Management and general	203,525	-	203,525	138,921
Fundraising	183,491	-	183,491	178,431
Total Expenses	2,305,850	-	2,305,850	1,909,679
Change in Net Assets	536,478	(922,062)	(385,584)	(29,200)
Net Assets, Beginning of Year	2,950,403	1,706,403	4,656,806	4,686,006
Net Assets, End of Year	\$ 3,486,881	\$ 784,341	\$ 4,271,222	\$ 4,656,806

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, 2013
WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2012

	2013	2012
Cash Flows from Operating Activities		
Change in Net Assets	\$ (385,584)	\$ (29,200)
Adjustments to reconcile the change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	94,713	129,024
Realized and unrealized (gains) losses on investments	(52,590)	228,965
Bad debts	(1,500)	-
(Increase) Decrease in:		
Accounts receivable	(8,383)	1,071
Contributions and grants receivable	(208,737)	165,054
Interest receivable	4,750	(1,134)
Prepaid expenses	3,111	18,867
Increase (Decrease) in:		
Accounts payable	34,940	13,806
Accrued salaries	(82,158)	35,386
Accrued rent	(8,774)	(2,022)
Grants payable	(28,000)	(35,000)
Net Cash Provided by (Used in) Operating Activities	(638,212)	524,817
Cash Flows from Investing Activities		
Proceeds from sales of investments	3,944,714	2,874,302
Purchase of investments	(4,101,464)	(2,935,919)
Purchase of property, equipment and web site	(270,156)	(142,542)
Net Cash Used in Investing Activities	(426,906)	(204,159)
Net Increase (Decrease) in Cash and Cash Equivalents	(1,065,118)	320,658
Cash and Cash Equivalents, Beginning	1,131,588	810,930
Cash and Cash Equivalents, Ending	\$ 66,470	\$ 1,131,588
Supplementary Information		
Interest received	\$ 155,247	\$ 86,303

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, 2013
WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2012

	2013						2012		
	Programs					Management and General	Fundraising	Total	Total
Army of Women	Health of Women Study	Clinical Research	Education	Total Program					
Salaries	\$ 349,527	\$ 135,391	\$ 338,843	\$ 107,034	\$ 930,795	\$ 115,052	\$ 105,582	\$ 1,151,429	\$ 828,360
Occupancy	81,228	28,823	70,747	23,582	204,380	20,381	23,920	248,681	244,446
Contract services	56,089	32,298	147,954	9,858	246,199	13,683	13,294	273,176	149,336
Website content and maintenance	95,858	24,532	-	28,616	149,006	-	-	149,006	192,786
Supplies	7,332	3,758	6,762	1,253	19,105	4,686	4,942	28,733	26,449
Depreciation and amortization	-	-	94,713	-	94,713	-	-	94,713	129,024
Payroll taxes	28,424	10,086	24,756	8,252	71,518	11,920	8,252	91,690	59,471
Insurance	5,853	332	45,125	271	51,581	6,497	1,845	59,923	47,671
Marketing and communications	25,131	13,671	7,964	1,991	48,757	3,586	6,288	58,631	95,637
Benefits	16,676	5,918	14,524	4,842	41,960	8,199	4,842	55,001	30,752
Travel	14,872	2,834	531	22,257	40,494	686	-	41,180	31,372
Computer expenses	9,380	2,031	4,986	1,662	18,059	1,041	5,389	24,489	29,186
Bank charges	173	-	-	-	173	8,179	4,207	12,559	7,959
Education and meetings	3,741	373	321	2,089	6,524	5,484	282	12,290	15,963
Printing, copying and postage	2,525	-	1,007	-	3,532	1,860	4,648	10,040	5,751
Dues and subscriptions	2,278	710	212	4,421	7,621	2,271	-	9,892	416
Expendable equipment	-	-	402	-	402	-	-	402	24,900
Programs and grants	-	-	(14,485)	-	(14,485)	-	-	(14,485)	(9,800)
Bad debts (recovery)	-	-	(1,500)	-	(1,500)	-	-	(1,500)	-
Total Expenses	\$ 699,087	\$ 260,757	\$ 742,862	\$ 216,128	\$ 1,918,834	\$ 203,525	\$ 183,491	\$ 2,305,850	\$ 1,909,679
					83.2%	8.8%	8.0%	100.0%	

The accompanying notes are an integral part of these statements.

DR. SUSAN LOVE RESEARCH FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

Note 1 – Summary of Significant Accounting Policies

Nature of the Organization

The Mission of the Dr. Susan Love Research Foundation (DSLRF) is to achieve a future without breast cancer by focusing on prevention and finding the cause.

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.

Clinical, Epidemiological and Translational Research Program

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 2012 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.

Clinical research collaborations have included studying the development of a breast fluid test to identify women at risk for breast cancer, the effect of intraductal therapy in the treatment of (ductal carcinoma in situ) DCIS, the correlation of human anatomy and physiology in the nonlactating, noncancerous breast. In the past year the Foundation has focused on collaborations with the John Wayne Cancer Institute to identify a potential infectious causal agent in breast.

Army of Women Program

The Army of Women was initially funded by the Avon Foundation for Women and launched on October 1, 2008. AOW empowers women with a new opportunity – a simple but revolutionary call for one million women of all ages and ethnicities to join the “Army” and consider serving as research volunteers to help scientists understand the causes of breast cancer – and how to end it once and for all. All women not currently undergoing breast cancer treatment, including breast cancer survivors and those who never had the disease are eligible to register. Universities and research labs throughout the country may submit their studies for consideration to the AOW, 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). AOW 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 to option to take part. Since its inception in 2008, the AOW has recruited over 373,000 volunteers ready to take part in research projects.

Health of Women Study

The Health of Women Study has the goal of conducting 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. It was launched in October 2012 and has successfully submitted two modular questionnaires to over 40,000 women and men in the past year.

DR. SUSAN LOVE RESEARCH FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

Note 1 – Summary of Significant Accounting Policies (continued)

Nature of the Organization (continued)

Serial Evaluation of Ductal Epithelium Study

The Serial Evaluation of Ductal Epithelium (SEDE) Study was designed to collect follow-up information on breast health outcomes from the approximately 1,000 women at elevated risk for breast cancer who had participated in the original SEDE clinical trial. The original SEDE multi-center trial, initiated in April 2004 by the Cytoc Corporation, was designed to sample blood, urine, and breast fluid including nipple aspirate fluid and ductal lavage fluid. In addition, the breast health of the women was to be monitored for a total of five years by questionnaire. Due to unforeseen financial circumstances, the SEDE trial was terminated prematurely in 2007 by Cytoc. In an effort to salvage the study, DSLRF petitioned for all of the specimens from the clinical trial. More than 57,000 samples of ductal lavage fluid, blood, and urine, along with demographic data, were donated to DSLRF in 2008. To harness as much value as possible from the SEDE bank, DSLRF has formed a committee of scientific investigators and advocated to help determine the next steps for how to best utilize the valuable resource.

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.

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 \$13,390, at June 30, 2013.

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.

DR. SUSAN LOVE RESEARCH FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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.

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.

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 2010, or by the State of California for years ending before 2009.

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, 2013, the Foundation's had no uninsured cash or cash equivalents.

DR. SUSAN LOVE RESEARCH FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

Note 3 – Accounts Receivable

Accounts receivable consists of the following:

	<u>2013</u>	<u>2012</u>
Accounts receivable	\$ 15,355	\$ 5,472
Less allowance for doubtful accounts	-	-
	<u>\$ 15,355</u>	<u>\$ 5,472</u>

Note 4 – Contributions and Grants Receivable

Contributions and grants receivable consist of the following:

	<u>2013</u>	<u>2012</u>
Contributions and grants receivable	\$ 250,000	\$ 41,263
Less allowance for doubtful accounts	-	-
	<u>\$ 250,000</u>	<u>\$ 41,263</u>

Note 5 – Investments

As of June 30, 2013 and 2012 investments consist of the following:

<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>
<u>2012</u>	<u>Aggregate Fair Value</u>	<u>Cost</u>
Mutual funds	\$ 1,827,743	\$ 1,788,801
Exchange traded funds	594,158	566,024
Money market funds	1,015,391	1,015,391
Total	<u>\$ 3,437,292</u>	<u>\$ 3,370,216</u>

Investment returns are summarized as follows:

	<u>2013</u>	<u>2012</u>
Interest and dividends	\$ 155,247	\$ 86,303
Investment fees	(3,230)	(23,470)
Net realized and unrealized gains	52,590	(228,965)
Total	<u>\$ 204,607</u>	<u>\$ (166,132)</u>

DR. SUSAN LOVE RESEARCH FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

Note 6 – Property, Equipment and Web Site

Property, equipment and web site consist of the following:

	<u>2013</u>	<u>2012</u>
Leasehold improvements	\$ 18,550	\$ 18,550
Equipment	149,760	126,580
Web design	664,240	372,828
Web design in progress	59,855	104,291
	<u>892,405</u>	<u>622,249</u>
Less accumulated depreciation	528,992	436,079
	<u>\$ 363,413</u>	<u>\$ 186,170</u>

Note 7 – Lease Commitments

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

<u>Years ending June 30,</u>	
2014	\$ 238,733
2015	245,895
2016	104,446

Rent expense for the year ended June 30, 2013 and 2012 was \$228,632 and \$223,006, respectively.

Note 8 – Net Assets

Net assets consist of the following:

	<u>2013</u>	<u>2012</u>
Temporarily Restricted Net Assets		
Research Projects	\$ 169,758	\$ 658,770
Love/Avon Army of Women	614,583	1,047,633
	<u>\$ 784,341</u>	<u>\$ 1,706,403</u>
Unrestricted Net Assets		
Board Designated Operating Reserves	\$ 475,000	\$ -
Operating Net Assets	3,011,881	2,950,403
	<u>\$ 3,486,881</u>	<u>\$ 2,950,403</u>

DR. SUSAN LOVE RESEARCH FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

Note 9 – Fair Value Measurements

Fair values of assets measured on a recurring basis at June 30, 2013 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	\$ 3,646,632	\$ 3,646,632	\$ -	\$ -

Fair values of assets measured on a recurring basis at June 30, 2012 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	\$ 3,437,292	\$ 3,437,292	\$ -	\$ -

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

Note 10 – Subsequent Events

Subsequent events were evaluated through September 23, 2013, 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.