

*Financial Statements*

**DR SUSAN LOVE RESEARCH  
FOUNDATION**

June 30, 2009



# HENSIEK & CARON

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## INDEPENDENT AUDITOR'S REPORT

To The Board of Directors  
Dr. Susan Love Research Foundation

We have audited the accompanying statement of financial position of Dr. Susan Love Research Foundation (a nonprofit organization) as of June 30, 2009, and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements, based on our audit. The prior year summarized comparative information has been derived from Dr. Susan Love Research Foundation's 2008 financial statements and, in our report dated August 8, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dr. Susan Love Research Foundation as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

September 30, 2009

**DR. SUSAN LOVE RESEARCH FOUNDATION**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2009**  
**WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2008**

	<b>ASSETS</b>			<b>2008</b>
	<b>2009</b>		<b>Total</b>	<b>Total</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>		
<b>Assets</b>				
Cash and cash equivalents	\$ 705,973	\$ 421,957	\$ 1,127,930	\$ 456,639
Contributions and grants receivable, net of allowance for doubtful amounts in 2009 and 2008 of \$0	28,351	547,129	575,480	1,131,205
Interest receivable	4,416	-	4,416	2,802
Prepaid expenses	37,066	-	37,066	9,131
Inventory	4,162	-	4,162	10,267
Investments	813,891	1,940,025	2,753,916	3,453,626
Patents in progress	4,100	-	4,100	4,100
Property, equipment and web site, net	273,951	-	273,951	114,647
Security deposit	11,678	-	11,678	11,678
	<b>Total Assets</b>	<b>\$ 2,909,111</b>	<b>\$ 4,792,699</b>	<b>\$ 5,194,095</b>
	<b>\$ 1,883,588</b>	<b>\$ 2,909,111</b>	<b>\$ 4,792,699</b>	<b>\$ 5,194,095</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Liabilities</b>				
Accounts payable	\$ 56,576	\$ -	\$ 56,576	\$ 24,440
Accrued salaries and vacation	27,592	-	27,592	24,805
Grants payable	48,000	-	48,000	10,500
	<b>Total Liabilities</b>	-	132,168	59,745
	<b>Net Assets</b>	<b>2,909,111</b>	<b>4,660,531</b>	<b>5,134,350</b>
	<b>Total Liabilities and Net Assets</b>	<b>\$ 2,909,111</b>	<b>\$ 4,792,699</b>	<b>\$ 5,194,095</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, 2009**  
**WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2008**

	<b>2009</b>			<b>2008</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>	<b>Total</b>
<b>Support and Revenue</b>				
Grants and contracts	\$ -	\$ 408,515	\$ 408,515	\$ 1,216,187
Contributions	497,518	852,950	1,350,468	2,618,908
Special events, net of direct expenses in 2009 of \$2,700 and in 2008 \$18,681	61,094	-	61,094	160,362
Conference registration and sponsorships	63,956	-	63,956	-
Investment returns	(242,110)	-	(242,110)	50,974
Product sales, net of cost of sales in 2009 of \$10,576 and in 2008 of \$6,945	195,593	-	195,593	(5,238)
Net assets released from program restrictions	1,536,739	(1,536,739)	-	-
<b>Total Support and Revenue</b>	<b>2,112,790</b>	<b>(275,274)</b>	<b>1,837,516</b>	<b>4,041,193</b>
<b>Expenses</b>				
Program	1,999,559	-	1,999,559	761,015
Management and general	191,435	-	191,435	149,128
Fundraising	120,341	-	120,341	49,731
<b>Total Expenses</b>	<b>2,311,335</b>	<b>-</b>	<b>2,311,335</b>	<b>959,874</b>
<b>Change in Net Assets</b>	<b>(198,545)</b>	<b>(275,274)</b>	<b>(473,819)</b>	<b>3,081,319</b>
<b>Net Assets, Beginning of Year</b>	<b>1,949,965</b>	<b>3,184,385</b>	<b>5,134,350</b>	<b>2,053,031</b>
<b>Net Assets, End of Year</b>	<b>\$ 1,751,420</b>	<b>\$ 2,909,111</b>	<b>\$ 4,660,531</b>	<b>\$ 5,134,350</b>

The accompanying notes are an integral part of these statements.

**DR. SUSAN LOVE RESEARCH FOUNDATION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2009 AND 2008**

	<b>2009</b>	<b>2008</b>
<b>Cash Flows from Operating Activities</b>		
Change in Net Assets	\$ (473,819)	\$ 3,081,319
Adjustments to reconcile the change in net assets to net cash provided by operating activities		
Depreciation	50,849	29,462
Realized and unrealized losses (gains) on investments	299,084	(27,663)
(Increase) Decrease in:		
Contributions and grants receivable	555,725	(192,861)
Interest receivable	(1,614)	(2,802)
Prepaid expenses	(27,935)	(2,594)
Inventory	6,105	6,945
Deposits	-	(11,678)
Increase (Decrease) in:		
Accounts payable	32,136	15,858
Accrued salaries	2,787	24,805
Grants payable	37,500	(62,000)
	<b>480,818</b>	<b>2,858,791</b>
 <b>Cash Flows from Investing Activities</b>		
Proceeds from sales of investments	2,985,901	2,037,521
Purchase of investments	(2,585,275)	(4,713,297)
Patent costs	-	(4,100)
Purchase of fixed assets and web site	(210,153)	(80,092)
	<b>190,473</b>	<b>(2,759,968)</b>
 <b>Net Cash Provided by (Used in) Investing Activities</b>		
	<b>671,291</b>	<b>98,823</b>
 <b>Cash and Cash Equivalents, Beginning</b>	<b>456,639</b>	<b>357,816</b>
 <b>Cash and Cash Equivalents, Ending</b>	<b>\$ 1,127,930</b>	<b>\$ 456,639</b>

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, 2009**  
**WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2008**

	<b>2009</b>			<b>2008</b>	
	<b>Program</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>	<b>Total</b>
Contract services	\$ 627,040	\$ 16,708	\$ -	\$ 643,748	\$ 113,578
Salaries	479,205	72,548	24,328	576,081	429,416
Public outreach	200,382	-	-	200,382	-
Website content and maintenance	134,168	21,921	21,921	178,010	69,096
Occupancy	102,950	34,317	-	137,267	102,810
Expendable equipment	104,592	896	-	105,488	60,071
Intraductal conference	88,907	-	-	88,907	5,162
Programs and grants	81,500	-	-	81,500	29,808
Bank charges	-	-	53,976	53,976	-
Payroll tax	42,473	6,652	2,047	51,172	32,204
Depreciation	50,849	-	-	50,849	29,462
Insurance	25,416	3,981	1,225	30,622	18,131
Travel	24,301	-	-	24,301	6,486
Supplies	1,948	13,278	3,950	19,176	16,967
Printing, copying and postage	5,376	7,187	-	12,563	1,235
Benefits	16,477	2,781	1,031	20,289	7,440
Education and meetings	7,114	4,250	-	11,364	4,600
Development	-	408	7,802	8,210	6,732
Marketing and communications	-	1,327	-	1,327	10,235
Computer expenses	1,646	1,645	4,061	7,352	6,370
Utilities	5,215	1,739	-	6,954	6,239
Dues and subscriptions	-	1,797	-	1,797	3,832
<b>Total Expenses</b>	<b>\$ 1,999,559</b>	<b>\$ 191,435</b>	<b>\$ 120,341</b>	<b>\$ 2,311,335</b>	<b>\$ 959,874</b>

The accompanying notes are an integral part of these statements.

**DR. SUSAN LOVE RESEARCH FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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

**Nature of the Organization**

The Mission of the Dr. Susan Love Research Foundation is to eradicate breast cancer and improve the quality of women's health through innovative research, education and advocacy.

According to the Foundation's research, more than 30 years of "early detection" with mammography and breast self-exam have barely dented the mortality rate for breast cancer. Currently 110 women a day die of the disease, and breast cancer incidence continues to climb; a new case is diagnosed every two minutes. By the time the cancer is diagnosed, it has already been present for six to ten years.

The Foundation is dedicated to research that reveals the origin of breast cancer and new ways of treatment. They are committed to going beyond finding a cure and focusing on stopping women from ever developing breast cancer in the first place. They believe that they can make breast cancer a disease of the past. They know where breast cancer begins—in the breast ducts—and they now have the tools to get there. This intraductal research holds the potential to expand our knowledge in way that will truly allow them to end breast cancer.

The Foundation is currently focusing on the following projects:

**Intraductal Research**

The Dr. Susan Love Research Foundation believes that the intraductal approach to breast cancer is the path that will bring them to the beginning of the end of this disease. To date, they have received more than two and one-half million dollars to pursue their own intraductal research. These projects include:

- The development of a breast fluid test to identify women at risk for breast cancer
- Effect of intraductal therapy of DCIS with pegylated liposomal doxorubicin (PDL) on pathology and biomarkers: A Presurgery Study
- Effect of previous pregnancy on the physiology of the breast ducts
- Analysis of parity-induced protection in human breast and serum
- The normal breast study – Correlation of human anatomy and physiology in the non-lactating, non-cancerous breast

**Pilot Grants**

The Dr. Susan Love Research Foundation gives out pilot grants to jumpstart innovative research and to encourage scientists to pursue the intraductal approach. Grants are made through a novel approach, with applicants presenting their proposals at the Foundation's biennial International Symposium on the Intraductal Approach to Breast Cancer. Since 1998, the Foundation has awarded pilot grants totaling more than \$1,000,000.

**DR. SUSAN LOVE RESEARCH FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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

**Nature of the Organization** (continued)

**Education and Advocacy**

The Dr. Susan Love Research Foundation is dedicated to educating the public about breast cancer risk assessment, detection, prevention, and treatment. They are also committed to advocating for expanded breast cancer research funding and for programs that will ensure all individuals have access to free or low-cost breast cancer screening and high-quality treatment. As part of this effort Dr. Susan Love and the Foundation:

- Maintain an award-receiving website.
- Respond to site visitor's questions.

**Love/Avon Army of Women**

The *Love/Avon Army of Women* is a partnership between the Dr. Susan Love Research Foundation and the Avon Foundation and launched on October 1, 2008. Women have taken personal action and raised millions of dollars that has advanced treatment and early detection, but researchers still do not know what causes the disease. The *Love/Avon Army of Women* empowers women with a new opportunity – a simple but revolutionary call for one million women of all ages and ethnicities to join the “Army” and consider serving as research volunteers to help scientists understand the causes of breast cancer – and how to end it once and for all.

All women not currently undergoing breast cancer treatment, including breast cancer survivors and those who never had the disease, are eligible to register. Universities and research labs throughout the country may submit their studies for consideration to the *Army of Women*, and all research will undergo a thorough medical and ethical review. Some research may require women to complete a questionnaire, while others may require blood or saliva samples, or other simple steps (the research studies are not clinical trials and do not involve drugs or medical procedures). The *Army of Women* will serve as a virtual “matchmaker,” sending an email alert to women volunteers outlining the needs of each study, and women who meet the criteria have the option to take part. Women sign up to be part of the Army of Women on [www.armyofwomen.org](http://www.armyofwomen.org).

**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, 2009**

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

**Contributions and Grants Receivable**

The Foundation uses the direct write off method to determine uncollectible receivables. The annual write off is based on prior years experience and management's analysis of specific receivables. Management has determined that all receivables are collectible.

**Property, Equipment and Web Site**

Property, equipment and web site are stated at cost or, if donated, at the approximate fair market value at the date of donation. It is the Foundation's policy to capitalize expenditures for these items in excess of \$1,500. Depreciation is provided using the straight-line method over three to five years.

**Investments**

Investments, comprised primarily of mutual funds whose underlying assets are equity securities, corporate debt securities and U.S. government obligations, are valued at fair value, with realized and unrealized gains and losses reflected in the statements of activities. The fair value of investments is based on quoted market values.

**Inventory**

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

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Statement of Cash Flows**

For the purpose of the statement of cash flows, the Foundation includes all cash in banks and other financial institutions, and certain highly liquid money market accounts designated for temporary cash investment.

**Income Taxes**

The Foundation is qualified under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation. Nonprofit organizations are not generally liable for taxes on income; therefore, no provision is made for such taxes in the financial statements.

**Note 2 – Concentration of Credit Risk**

Financial instruments, which potentially subject the Foundation to concentrations of credit risk, consist of cash and cash equivalents. The Foundation maintains its cash balances at various financial institutions. Cash accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 per financial institution. At June 30, 2009, the Foundation's uninsured cash balance totaled \$936,116. The Foundation is currently working with their bank to reallocate funds to maximize insurance coverage.

**DR. SUSAN LOVE RESEARCH FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**Note 3 – Investments**

As of June 30, 2009 and 2008 investments consist of the following:

<b>2009</b>	<b>Aggregate Fair Value</b>	<b>Cost</b>
Mutual funds	\$ 1,498,140	\$ 1,607,850
Money market funds	1,255,776	1,255,776
Total	<u>\$ 2,753,916</u>	<u>\$ 2,863,626</u>

  

<b>2008</b>	<b>Aggregate Fair Value</b>	<b>Cost</b>
Mutual funds	\$ 1,067,120	\$ 1,063,199
Money market funds	2,386,506	2,386,506
Total	<u>\$ 3,453,626</u>	<u>\$ 3,449,705</u>

Investment returns are summarized as follows:

	<b>2009</b>	<b>2008</b>
Interest and dividends	\$ 72,756	\$ 23,311
Investment fees	(15,782)	-
Net realized and unrealized losses	(299,084)	27,663
Total	<u>\$ (242,110)</u>	<u>\$ 50,974</u>

**Note 4 – Property, Equipment and Web Site**

Property, equipment and web site consist of the following:

	<b>2009</b>	<b>2008</b>
Leasehold improvements	\$ 7,592	\$ 7,592
Equipment	44,860	20,991
Web design	321,843	72,979
Website production in progress	3,920	66,500
	<u>378,215</u>	<u>168,062</u>
Less accumulated depreciation	104,264	53,415
	<u>\$ 273,951</u>	<u>\$ 144,647</u>

**DR. SUSAN LOVE RESEARCH FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**Note 5 – Lease Commitments**

The Foundation operates from offices under a noncancelable lease agreement expiring on December 31, 2010. The lease agreement contains a provision for 4% annual increases. Future minimum payments under this operating lease is as follows:

<u>Years ending June 30,</u>	
2010	\$ 136,543
2011	58,390

Rent expense for the year ended June 30, 2009 and 2008 was \$129,564 and \$67,414, respectively.

**Note 6 – Net Assets**

Net assets consist of the following:

	<u>2009</u>	<u>2008</u>
<b>Temporarily Restricted Net Assets</b>		
Research Projects	\$ 1,777,669	\$ 2,112,943
Love/Avon Army of Women	<u>1,131,442</u>	<u>1,071,442</u>
 Total Temporarily Restricted Net Assets	 <u>\$ 2,909,111</u>	 <u>\$ 3,184,385</u>

**Note 7 – Fair Value Measurements**

Fair values of assets measured on a recurring basis at June 30, 2009 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Other Unobservable Inputs (Level 3)</u>
Investments	<u>\$ 2,753,916</u>	<u>\$ 2,753,916</u>	<u>\$ -</u>	<u>\$ -</u>

Fair values of assets measured on a recurring basis at June 30, 2008 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Other Unobservable Inputs (Level 3)</u>
Investments	<u>\$ 3,453,626</u>	<u>\$ 3,453,626</u>	<u>\$ -</u>	<u>\$ -</u>

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