

BREASTCANCER.ORG

FINANCIAL STATEMENTS

YEARS ENDED MAY 31, 2016 AND 2015

BREASTCANCER.ORG
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YEARS ENDED MAY 31, 2016 AND 2015

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Breastcancer.org
Ardmore, Pennsylvania

We have audited the accompanying financial statements of Breastcancer.org (a nonprofit organization) which comprise the statements of financial position as of May 31, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 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 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.

Board of Directors
Breastcancer.org

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Breastcancer.org as of May 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
March 9, 2017

BREASTCANCER.ORG
STATEMENTS OF FINANCIAL POSITION
MAY 31, 2016 AND 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,995,158	\$ 2,113,032
Pledges Receivable	429,189	484,089
Accounts Receivable, Other	154,155	256,962
Prepaid Expenses	29,780	28,666
Total Current Assets	2,608,282	2,882,749
WEBSITE COSTS, PROPERTY AND EQUIPMENT	833,289	604,558
OTHER ASSETS		
Pledges Receivable, Net of Current Portion	190,359	79,984
Security Deposits	26,317	33,867
Total Other Assets	216,676	113,851
Total Assets	\$ 3,658,247	\$ 3,601,158
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 154,814	\$ 64,962
Total Current Liabilities	154,814	64,962
DEFERRED RENT	237,324	-
Total Liabilities	392,138	64,962
NET ASSETS		
Unrestricted		
Undesignated	2,546,243	3,081,781
Board Designated	54,404	54,361
Total Unrestricted	2,600,647	3,136,142
Temporarily Restricted	665,462	400,054
Total Net Assets	3,266,109	3,536,196
Total Liabilities and Net Assets	\$ 3,658,247	\$ 3,601,158

See accompanying Notes to Financial Statements.

BREASTCANCER.ORG
STATEMENTS OF ACTIVITIES
YEARS ENDED MAY 31, 2016 AND 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE						
Contributions and Grants						
Corporate Grants	\$ 678,474	\$ 890,000	\$ 1,568,474	\$ 936,544	\$ 10,000	\$ 946,544
Foundation Grants	60,000	50,000	110,000	240,705	50,000	290,705
Individuals	428,625	-	428,625	553,796	104,440	658,236
Website Monetization Revenue	846,702	-	846,702	635,370	-	635,370
Fund-Raisers and Special Events	747,716	-	747,716	763,998	-	763,998
In-Kind Contributions	462,758	-	462,758	485,305	-	485,305
Investment Income	1,599	-	1,599	7,765	-	7,765
Other Income	5,789	-	5,789	2,841	-	2,841
Net Assets Released from Restrictions	674,592	(674,592)	-	1,255,984	(1,255,984)	-
Total Support and Revenue	<u>3,906,255</u>	<u>265,408</u>	<u>4,171,663</u>	<u>4,882,308</u>	<u>(1,091,544)</u>	<u>3,790,764</u>
EXPENDITURES						
Program Services	3,462,250	-	3,462,250	3,827,638	-	3,827,638
Development	620,759	-	620,759	661,541	-	661,541
General and Administrative	358,741	-	358,741	319,448	-	319,448
Total Expenditures	<u>4,441,750</u>	<u>-</u>	<u>4,441,750</u>	<u>4,808,627</u>	<u>-</u>	<u>4,808,627</u>
CHANGE IN NET ASSETS	(535,495)	265,408	(270,087)	73,681	(1,091,544)	(1,017,863)
Net Assets - Beginning of Year	<u>3,136,142</u>	<u>400,054</u>	<u>3,536,196</u>	<u>3,062,461</u>	<u>1,491,598</u>	<u>4,554,059</u>
NET ASSETS - END OF YEAR	<u>\$ 2,600,647</u>	<u>\$ 665,462</u>	<u>\$ 3,266,109</u>	<u>\$ 3,136,142</u>	<u>\$ 400,054</u>	<u>\$ 3,536,196</u>

See accompanying Notes to Financial Statements.

BREASTCANCER.ORG
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MAY 31, 2016

	Program Services						Total Program Services	Supporting Services		Total 2016
	Booklets	Breast Cancer Content	Community	Prevention	Spanish	Research News		Development	General and Administrative	
COMPENSATION AND RELATED EXPENSES										
Salaries	\$ 12,872	\$ 1,155,878	\$ 129,622	\$ 295,007	\$ 5,794	\$ 86,344	\$ 1,685,517	\$ 347,203	\$ 172,067	\$ 2,204,787
Payroll Taxes and Employee Benefits	1,343	120,612	13,526	30,783	605	9,010	175,879	36,230	18,113	230,222
Total Compensation and Related Expenses	14,215	1,276,490	143,148	325,790	6,399	95,354	1,861,396	383,433	190,180	2,435,009
OTHER OPERATING EXPENSES										
Accounting	443	20,216	2,335	3,464	471	1,391	28,320	5,078	81,906	115,304
Bad Debt Expense	-	-	-	-	-	-	-	-	19,250	19,250
Business Insurance	127	11,691	670	2,958	135	399	15,980	1,456	1,893	19,329
Conferences, Meetings and Events	39	61,980	953	1,482	41	696	65,191	122,521	576	188,288
Depreciation	2,457	140,459	36,709	3,214	8,888	6,205	197,932	11,852	5,990	215,774
In-Kind Marketing	-	384,431	-	-	-	-	384,431	-	-	384,431
IT Support/Internet Connection	461	21,080	2,435	3,613	491	1,451	29,531	5,295	6,885	41,711
Legal	1,014	46,328	5,352	7,939	1,079	3,189	64,901	11,636	15,130	91,667
Marketing/Public Relations	7,629	8,400	3	1,975	1	2	18,010	56	7	18,073
Memberships/Dues/Subscriptions	40	4,325	272	1,340	43	252	6,272	1,126	604	8,002
Miscellaneous	77	4,819	406	603	82	242	6,229	1,328	1,155	8,712
Occupancy	1,537	70,196	8,109	12,030	1,635	4,832	98,339	17,631	22,923	138,893
Office Supplies	153	7,437	810	1,201	163	483	10,247	1,898	2,289	14,434
Postage	45	3,254	235	348	47	140	4,069	11,084	664	15,817
Printing/Brochures	18,156	1,177	136	937	27	81	20,514	30,369	383	51,266
Program Consultants	525	222,361	61,431	37,234	31,723	53,218	406,492	1,999	-	408,491
Service Charges	827	12,878	1,360	2,018	274	810	18,167	3,156	3,846	25,169
Software Licenses	6,122	44,189	5,447	10,590	107	605	67,060	3,062	1,495	71,617
Staff Recruitment	232	10,872	1,224	1,815	247	729	15,119	2,741	3,458	21,318
Travel	7	49,424	417	4,357	8	31	54,244	4,850	107	59,201
Website Maintenance and Development	-	69,429	14,053	625	5,699	-	89,806	188	-	89,994
Total Other Operating Expenses	39,891	1,194,946	142,357	97,743	51,161	74,756	1,600,854	237,326	168,561	2,006,741
Total Functional Expenses	\$ 54,106	\$ 2,471,436	\$ 285,505	\$ 423,533	\$ 57,560	\$ 170,110	\$ 3,462,250	\$ 620,759	\$ 358,741	\$ 4,441,750

See accompanying Notes to Financial Statements.

BREASTCANCER.ORG
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MAY 31, 2015

	Program Services						Total Program Services	Supporting Services		Total 2015
	Booklets	Core	Community	Prevention	Spanish	Research News		Development	General and Administrative	
COMPENSATION AND RELATED EXPENSES										
Salaries	\$ 30,110	\$ 1,019,175	\$ 119,043	\$ 430,057	\$ 39,186	\$ 54,888	\$ 1,692,459	\$ 314,226	\$ 170,215	\$ 2,176,900
Payroll Taxes and Employee Benefits	3,234	109,455	12,785	46,186	4,208	5,895	181,763	33,747	18,278	233,788
Total Compensation and Related Expenses	<u>33,344</u>	<u>1,128,630</u>	<u>131,828</u>	<u>476,243</u>	<u>43,394</u>	<u>60,783</u>	<u>1,874,222</u>	<u>347,973</u>	<u>188,493</u>	<u>2,410,688</u>
OTHER OPERATING EXPENSES										
Accounting	921	25,523	3,517	7,811	1,698	1,384	40,854	7,061	65,156	113,071
Business Insurance	82	13,521	2,630	692	151	123	17,199	626	763	18,588
Conferences, Meetings and Events	1,026	60,393	405	30,553	2,908	269	95,554	168,230	850	264,634
Depreciation	3,013	186,469	47,945	1,644	7,018	5,603	251,692	6,897	1,656	260,245
In-Kind Marketing	-	349,521	-	-	-	-	349,521	-	-	349,521
IT Support/Internet Connection	794	21,998	3,112	6,732	1,464	1,193	35,293	6,086	7,428	48,807
Legal	2,378	65,889	9,081	20,164	4,384	3,573	105,469	18,228	22,253	145,950
Marketing/Public Relations	6,949	7,814	-	170	-	-	14,933	1,288	-	16,221
Memberships/Dues/Subscriptions	32	3,471	121	819	58	47	4,548	280	295	5,123
Miscellaneous	72	3,122	424	715	132	108	4,573	1,584	671	6,828
Occupancy	2,025	57,184	7,734	17,173	3,734	3,043	90,893	15,525	18,952	125,370
Office Supplies	219	6,114	835	1,854	403	329	9,754	1,686	2,046	13,486
Postage	105	5,178	402	892	284	158	7,019	10,876	983	18,878
Printing/Brochures	31,244	1,328	40	16,178	124	16	48,930	33,715	97	82,742
Program Consultants	375	122,756	85,289	57,228	72,379	48,956	386,983	4,061	-	391,044
Service Charges	2,839	8,643	1,190	2,643	575	468	16,358	2,389	2,916	21,663
Software Licenses	681	61,888	5,449	5,778	1,506	1,214	76,516	17,079	6,377	99,972
Staff Recruitment	2	97	256	15	3	3	376	216	15	607
Travel	53	57,179	1,775	22,470	6,531	1,182	89,190	11,460	497	101,147
Website Maintenance and Development	156	204,503	27,522	62,000	12,355	1,225	307,761	6,281	-	314,042
Total Other Operating Expenses	<u>52,966</u>	<u>1,262,591</u>	<u>197,727</u>	<u>255,531</u>	<u>115,707</u>	<u>68,894</u>	<u>1,953,416</u>	<u>313,568</u>	<u>130,955</u>	<u>2,397,939</u>
Total Functional Expenses	<u>\$ 86,310</u>	<u>\$ 2,391,221</u>	<u>\$ 329,555</u>	<u>\$ 731,774</u>	<u>\$ 159,101</u>	<u>\$ 129,677</u>	<u>\$ 3,827,638</u>	<u>\$ 661,541</u>	<u>\$ 319,448</u>	<u>\$ 4,808,627</u>

See accompanying Notes to Financial Statements.

BREASTCANCER.ORG
STATEMENTS OF CASH FLOWS
YEARS ENDED MAY 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ (270,087)	\$ (1,017,863)
Adjustments to Reconcile Changes in Net Assets to		
Net Cash Provided (Used) by Operating Activities:		
Depreciation	215,774	260,245
(Increase) Decrease in Assets:		
Pledges Receivable	(55,475)	828,879
Accounts Receivable, Other	102,807	(41,682)
Prepaid Expenses	(1,114)	(3,534)
Security Deposits	7,550	(20,750)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	89,852	(184,003)
Deferred Rent	(16,116)	(3,514)
Net Cash Provided (Used) by Operating Activities	73,191	(182,222)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Website Costs, Property and Equipment	(191,065)	(299,494)
 NET DECREASE IN CASH AND CASH EQUIVALENTS	(117,874)	(481,716)
 Cash and Cash Equivalents - Beginning of Year	2,113,032	2,594,748
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,995,158	\$ 2,113,032
 SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING ACTIVITIES		
Leasehold Improvements Paid by Landlord	\$ 253,440	\$ -

See accompanying Notes to Financial Statements.

BREASTCANCER.ORG
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Breastcancer.org (the "Organization") is a not-for-profit organization incorporated on May 21, 2001 in accordance with the provisions of the Pennsylvania Nonprofit Corporation Law of December 21, 1988, P.L. 1444, No. 177. The Organization's mission is to help women and their loved ones make sense of the complex medical, personal, and practical information about breast health and breast cancer, so they can make the best decisions for their lives. The Organization is dedicated to providing the most reliable, complete, and up-to-date medical information and on-line community support. Information is disseminated through Breastcancer.org's 6,000+ page website, including Research News articles, discussion boards and educational booklets. Breastcancer.org also provides information about prevention and risk reduction through content on its website and through live programs to diverse audiences around the country. The Organization also has a Spanish-language version of its website.

The Organization's bylaws provide for a board of directors, consisting of one or more directors elected for three-year terms by class (term commencement year), and until their successors are elected and qualified, each class represents one-third of the board.

The organization's primary funding comes from individuals, corporations, website monetization revenue, special events, and charitable foundations.

Presentation and Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred. All significant receivables, payables and other liabilities are included in the financial statements. The Organization reports information regarding its activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The accompanying financial statements include the following classes of net assets:

Unrestricted – Unrestricted net assets are used for funds which have not been restricted by donors.

Board Designated Unrestricted Net Assets – The Board of Trustees designated \$54,404 and \$54,361 as of May 31, 2016 and 2015, respectively, to be used for the Lisa Kabnick Fund. The purpose of this fund is to provide continuing operating support for the work of the Organization.

Temporarily Restricted – Temporarily restricted net assets are contributions which are restricted by time or have been externally restricted for specific purposes. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

BREASTCANCER.ORG
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Presentation and Basis of Accounting (Continued)

Permanently Restricted – Permanently restricted net assets consist of contributions specifically restricted by the donor to be held in perpetuity. There are no permanently restricted net assets as of May 31, 2016 and 2015.

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 the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers money market funds and all highly-liquid investments with an original maturity date of 90 days or less to be cash equivalents. Cash equivalents are stated at cost, which approximates market value.

Pledges Receivable

Contributions are recognized when a donor makes a pledge to give the Organization that is, in substance, unconditional. Unconditional pledges are recorded as revenues or gain in the period received and as assets, decreases of liabilities, or expenses, depending on the form of the contributions received. Conditional pledges to give are recognized when the conditions on which they depend are substantially met.

Pledges receivable (i.e., a promise dependent only on passage of time or demand by the donee for performance), with payments due to future periods, are required to be recorded as restricted support unless explicit donor stipulations or circumstances surrounding the receipt of a promise make it clear that the donor intended their contribution to be used to support activities within the current period. Unconditional pledges to give cash in future years generally increase temporarily restricted net assets.

The Organization records unconditional pledges to give at the estimated present value of the future cash flows, net of allowances to include net realizable value based upon management's analysis of specific pledges made (see Note 2). The allowance for uncollectible pledges was \$38,500 and \$19,250 at May 31, 2016 and 2015, respectively.

BREASTCANCER.ORG
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Website Costs, Property and Equipment and Depreciation

Website costs, property and equipment are stated at cost, except for donated assets which are stated at fair value at the date of the gift. Depreciation is recorded using the straight-line method over the estimated useful life of the related assets. Maintenance, repairs and minor replacements are expensed as incurred. Replacements and betterments with a cost in excess of \$1,000 which increase the service capacity or prolong the service life beyond that originally contemplated are capitalized.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, and would otherwise be purchased by the Organization. Donated services that met the requirements for recognition have been recognized in income and the related expenses.

Functional Expenses

Functional expenses are charged directly to program, development or management and general expense categories based on specific identification. Indirect costs are allocated based upon total direct program, development and management costs.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, as an organization, contributions to which are deductible under Section 170(c) of the Code; and as an organization that is not a private foundation as defined in Section 509(a) of the Code. The Organization follows the income tax standard for uncertain tax positions. The application of this standard had no impact on the Organization's financial statements.

The Organization is not aware of any activities that would jeopardize its tax-exempt status.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 9, 2017, the date the financial statements were available to be issued.

BREASTCANCER.ORG
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2016 AND 2015

NOTE 2 PLEDGES RECEIVABLE

Pledges receivable as of May 31, 2016 and 2015 are as follows:

	2016	2015
Receivable in One Year or Less	\$ 467,689	\$ 503,339
Receivable in Two to Five Years	<u>195,140</u>	<u>83,540</u>
Total Pledges Receivable Before Discount	662,829	586,879
Less Discount to Net Present Value	4,781	3,556
Less Allowance for Doubtful Accounts	<u>38,500</u>	<u>19,250</u>
Total Pledges Receivable	619,548	564,073
Pledges Receivable, Current Portion	<u>429,189</u>	<u>484,089</u>
Pledges Receivable, Net of Current Portion	<u>\$ 190,359</u>	<u>\$ 79,984</u>

A rate of 2.30% and 2.24% was used for discounting multi-year pledges received during the years ended May 31, 2016 and 2015 to net present value.

NOTE 3 WEBSITE COSTS, PROPERTY AND EQUIPMENT

Website costs, property and equipment and corresponding estimated useful lives as of May 31, 2016 and 2015 are as follows:

	2016			
	Estimated Useful Life in Years	Cost	Accumulated Depreciation	Net Book Value
Computer, Office Equipment and Furniture	3-5	\$ 272,676	\$ 217,789	\$ 54,887
Leasehold Improvements	7	312,205	22,300	289,905
Technology Upgrade	3	327,527	327,527	-
Website, Other Capitalized Costs	3-5	1,709,335	1,220,838	488,497
Total		<u>\$ 2,621,743</u>	<u>\$ 1,788,454</u>	<u>\$ 833,289</u>

	2015			
	Estimated Useful Life in Years	Cost	Accumulated Depreciation	Net Book Value
Computer, Office Equipment and Furniture	3-5	\$ 224,220	\$ 203,782	\$ 20,438
Technology Upgrade	3	327,527	327,527	-
Website, Other Capitalized Costs	3-5	1,624,991	1,041,371	583,620
Total		<u>\$ 2,177,238</u>	<u>\$ 1,572,680</u>	<u>\$ 604,558</u>

BREASTCANCER.ORG
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2016 AND 2015

NOTE 4 LINE OF CREDIT

In December, 2010, the Organization obtained a \$200,000 line of credit from Beneficial Mutual Savings Bank. The maturity date of that line of credit was extended by the bank to November 28, 2017. The line of credit is secured by all of the assets of the Organization. Interest on borrowings is at the prime rate as reported by the Wall Street Journal (3.50% at May 31, 2016). There were no borrowings outstanding under the line of credit as of May 31, 2016 and 2015.

NOTE 5 RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets were available for the following purposes or periods as of May 31:

	2016	2015
Spanish Program	\$ 8,315	\$ -
Prevention Program	10,000	-
BioSimilar	25,000	-
Booklets	-	10,000
Core	10,000	-
Reconstruction Content	424,506	4,764
Transformation	45,332	-
Personalization	60,264	16,906
Unrestricted Promises to Give, Due after May 31	82,045	368,384
Total	\$ 665,462	\$ 400,054

Net assets released from donor restrictions by incurring expenses satisfying purpose or time restrictions specified by donors during the years ended May 31, 2016 and 2015 were as follows:

	2016	2015
Spanish Program	\$ 26,686	\$ 17,683
Prevention Program	-	182,616
Research News	-	30,000
Booklets	10,000	10,000
Digital Media	-	363
Reconstruction Content	30,258	220,236
Editorial	185,000	175,000
Transformation	24,668	-
Personalization	111,642	83,094
Unrestricted Promises to Give, Time Restriction	286,338	536,992
Total	\$ 674,592	\$ 1,255,984

BREASTCANCER.ORG
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2016 AND 2015

NOTE 6 IN-KIND CONTRIBUTIONS

For the years ended May 31, 2016 and 2015, the Organization recorded the following contributed services in the statements of activities as in-kind contributions and related expenses:

	<u>2016</u>	<u>2015</u>
AdWord Grant	\$ 309,431	\$ 349,521
Banner and Print Ad Placements	75,000	-
Legal Services	<u>78,327</u>	<u>135,784</u>
Total	<u>\$ 462,758</u>	<u>\$ 485,305</u>

No other amounts have been recorded for donated services since the value of such time is not susceptible to objective measurement and does not meet the criteria necessary for financial statement recognition.

NOTE 7 OPERATING LEASES

The Organization had a seven year office lease which expired in March 2015. In March 2015, the Organization entered into a month-to-month lease for temporary office space. In February 2015, the Organization entered into a new lease beginning September 11, 2015 for new permanent office space. In conjunction with this lease, leasehold improvements were made to the office space, \$253,440 of which was paid by the landlord. Consequently, a deferred rent obligation in this amount is being amortized over the accounting term of the lease which is 88 months. Deferred rent was \$237,324 as of May 31, 2016.

Rent expense was \$114,786 and \$94,276 for all office leases for the years ended May 31, 2016 and 2015, respectively. The Organization records periodic rental expense over the life of the lease.

The Organization also leases office equipment under two operating leases. Rental expense on leased equipment for the years ended May 31, 2016 and 2015 was \$6,349 and \$8,699, respectively.

Scheduled future minimum rental payments on all operating leases as of May 31, 2016 are as follows:

<u>Year Ending May 31,</u>	
2017	\$ 164,008
2018	169,520
2019	172,160
2020	177,704
2021	180,476
Thereafter	<u>234,308</u>
Total	<u>\$ 1,098,176</u>

NOTE 8 RELATED PARTY TRANSACTIONS

An attorney who sits on the Board of Directors is a partner in a law firm which donated legal services during the years ended May 31, 2016 and 2015 in the amount of \$67,942 and \$135,784, respectively.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 9 CONCENTRATIONS OF CREDIT RISK

The Organization maintains all of its cash balances in a financial institution, which at times exceed \$250,000 FDIC insured limits.

NOTE 10 PENSION PLAN

The Organization maintains a defined contribution retirement plan under Section 403(b) of the Internal Revenue Code covering all eligible employees. Employees may contribute a percentage of their eligible gross wages to the plan. The Organization also may make discretionary contributions to the plan based principally on employee compensation. No discretionary contributions were made to the plan for the years ended May 31, 2016 and 2015.