

**THE BREAST CANCER SOCIETY, INC.**  
Mesa, Arizona

FINANCIAL STATEMENTS

December 31, 2010

**THE BREAST CANCER SOCIETY, INC.**  
Mesa, Arizona  
For Year Ended December 31, 2010

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
The Breast Cancer Society, Inc.  
Mesa, Arizona

We have audited the accompanying statement of financial position of The Breast Cancer Society, Inc. (a non-profit organization) as of December 31, 2010 and the related statements of activities, 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.

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 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 The Breast Cancer Society, Inc. as of December 31, 2010, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Ingram, Overholt & Bean, PC*

**THE BREAST CANCER SOCIETY, INC.**  
Statement of Financial Position  
December 31, 2010

ASSETS

|                                   |                     |
|-----------------------------------|---------------------|
| Current Assets                    |                     |
| Cash                              | \$ 856,590          |
| Investments                       | 863,345             |
| Pledges receivable                | 1,098,622           |
| Prepaid expenses                  | 10,370              |
| Other receivables                 | 4,401               |
| Commodities held for distribution | <u>270,734</u>      |
| Total Current Assets              | <u>3,104,062</u>    |
|                                   |                     |
| Property and Equipment            |                     |
| Building                          | 844,551             |
| Furniture and fixtures            | 30,555              |
| Warehouse equipment               | 9,862               |
| Vehicles                          | <u>151,998</u>      |
|                                   | 1,036,966           |
| Less accumulated depreciation     | <u>(64,624)</u>     |
| Total Property and Equipment, net | <u>972,342</u>      |
|                                   |                     |
| Total Assets                      | <u>\$ 4,076,404</u> |

LIABILITIES AND NET ASSETS

|                                  |                     |
|----------------------------------|---------------------|
| Current Liabilities              |                     |
| Accounts payable                 | \$ 1,106,186        |
| Other accrued expenses           | <u>7,145</u>        |
| Total Current Liabilities        | <u>1,113,331</u>    |
|                                  |                     |
| Net Assets, Unrestricted         | <u>2,963,073</u>    |
|                                  |                     |
| Total Liabilities and Net Assets | <u>\$ 4,076,404</u> |

See accompanying independent auditors' report and notes.

**THE BREAST CANCER SOCIETY, INC.**

Statement of Activities  
Year Ended December 31, 2010

| REVENUE AND OTHER SUPPORT            |                         |
|--------------------------------------|-------------------------|
| Contributions                        |                         |
| Telemarketing                        | \$ 13,107,572           |
| Vehicle donation program             | 1,949,473               |
| Direct mail                          | 952,059                 |
| Online donations                     | 323,247                 |
| Special events                       | 67,995                  |
| Gifts in kind                        | 32,095,434              |
| Unrealized gain on investments       | 90,443                  |
| Other donations and support          | 57,383                  |
| Dividends and interest               | <u>17,660</u>           |
| <br>Total Revenues and Other Support | <br><u>48,661,266</u>   |
| <br>EXPENSES                         |                         |
| Program services                     | 33,514,183              |
| Supporting services                  |                         |
| Fund raising                         | 14,105,647              |
| Management and general               | <u>365,691</u>          |
| <br>Total Expenses                   | <br><u>47,985,521</u>   |
| <br>Change in Net Assets             | <br>675,745             |
| <br>NET ASSETS – BEGINNING OF YEAR   | <br><u>2,287,328</u>    |
| <br>NET ASSETS – END OF YEAR         | <br><u>\$ 2,963,073</u> |

See accompanying independent auditors' report and notes.

**THE BREAST CANCER SOCIETY, INC.**

Statement of Cash Flows  
Year Ended December 31, 2010

|   |                   |
|---|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                   |
| Change in net assets  | \$ 675,745        |
| Adjustments to reconcile change in net assets<br>to net cash flows from operating activities: |                   |
| Depreciation  | 44,674            |
| Unrealized gain on investments  | (90,443)          |
| Changes in assets and liabilities:  |                   |
| Pledges receivable  | 146,417           |
| Prepaid expenses  | (5,438)           |
| Commodities held for distribution   | (161,026)         |
| Other receivables   | (3,796)           |
| Accounts payable  | (180,152)         |
| Other accrued expenses  | <u>(2,531)</u>    |
| Net Cash Provided by Operating Activities   | <u>423,450</u>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                   |
| Purchase of property and equipment  | (136,486)         |
| Purchase of investment securities   | <u>(453,230)</u>  |
| Net Cash Used in Investing Activities   | <u>(589,716)</u>  |
| <b>NET DECREASE IN CASH</b>   | (166,266)         |
| <b>CASH AT BEGINNING OF YEAR</b>  | <u>1,022,856</u>  |
| <b>CASH AT END OF YEAR</b>  | <u>\$ 856,590</u> |

See accompanying independent auditors' report and notes.

**THE BREAST CANCER SOCIETY, INC.**  
Statement of Functional Expenses  
December 31, 2010

|                               | <u>Program<br/>Services</u> | <u>Fund<br/>Raising</u> | <u>Management<br/>and General</u> | <u>Total</u>        |
|-------------------------------|-----------------------------|-------------------------|-----------------------------------|---------------------|
| Cash grants for patients      | \$ 394,210                  | \$ -                    | \$ -                              | \$ 394,210          |
| Gifts in kind                 | 31,940,457                  | -                       | -                                 | 31,940,457          |
| Procurement costs             | 357,139                     | -                       | -                                 | 357,139             |
| Postage and shipping          | -                           | 5,823                   | 137                               | 5,960               |
| Printing and publications     | -                           | 1,273                   | 2,899                             | 4,172               |
| Mail processing services      | -                           | 3,972,172               | -                                 | 3,972,172           |
| Direct mail consultant        | -                           | 11,562                  | -                                 | 11,562              |
| Telemarketer fees             | -                           | 8,320,988               | -                                 | 8,320,988           |
| Vehicle donation program fees | -                           | 1,633,266               | -                                 | 1,633,266           |
| Event expenses                | 23,794                      | 31,191                  | 5,867                             | 60,852              |
| Accounting and legal fees     | -                           | 591                     | 65,532                            | 66,123              |
| Advertising                   | -                           | 43,542                  | 5,847                             | 49,389              |
| Management fees               | 3,545                       | 591                     | 1,772                             | 5,908               |
| Salaries                      | 495,727                     | 23,356                  | 140,553                           | 659,636             |
| Payroll and other taxes       | 26,079                      | 1,638                   | 9,675                             | 37,392              |
| Employee benefits             | 33,083                      | 1,559                   | 9,380                             | 44,022              |
| Staff development             | 14,862                      | 700                     | 4,214                             | 19,776              |
| Office supplies               | 12,070                      | 2,012                   | 6,035                             | 20,117              |
| Warehouse supplies            | 5,332                       | -                       | 313                               | 5,645               |
| Utilities                     | 23,246                      | 3,874                   | 11,623                            | 38,743              |
| Telephone                     | 20,645                      | 3,441                   | 10,322                            | 34,408              |
| Web hosting                   | 9,476                       | 1,579                   | 4,738                             | 15,793              |
| Insurance                     | 62,317                      | 2,936                   | 17,669                            | 82,922              |
| Depreciation                  | 22,337                      | 4,440                   | 17,897                            | 44,674              |
| Janitorial services           | 2,417                       | 403                     | 1,208                             | 4,028               |
| Repairs and maintenance       | 52                          | -                       | 569                               | 621                 |
| Travel and meetings           | 1,382                       | 22,056                  | 22,057                            | 45,495              |
| Dues and subscriptions        | -                           | 349                     | 7,615                             | 7,964               |
| State registration fees       | -                           | 3,194                   | 1,065                             | 4,259               |
| Education and awareness       | 23,367                      | 2,203                   | -                                 | 25,570              |
| Vehicle expense               | 7,248                       | 80                      | 18,164                            | 25,492              |
| Bank charges                  | -                           | 9,074                   | 60                                | 9,134               |
| Miscellaneous                 | 35,398                      | 1,754                   | 480                               | 37,632              |
|                               | <u>\$33,514,183</u>         | <u>\$14,105,647</u>     | <u>\$ 365,691</u>                 | <u>\$47,985,521</u> |

See accompanying independent auditors' report and notes.

## **THE BREAST CANCER SOCIETY, INC.**

Notes to Financial Statements

Year Ended December 31, 2010

### **NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

The Breast Cancer Society (TBCS) is a national health and welfare organization incorporated in 2007. The Organization's offices are located in Mesa, Arizona. The guiding mission of TBCS is to provide relief to those who suffer from the effects of breast cancer now, as well as to work cooperatively with and give support to other personnel, individuals and organizations that share in the goal of helping cancer patients, the critically ill, and the impoverished. This is done through such means as education, direct assistance, financial aid, and the providing of supplies and care-giving products, and referral services. Additionally, TBCS assists in the eradication of breast cancer through education and the support of breast cancer research.

#### Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of ninety days or less to be cash equivalents for the purpose of the Cash Flow Statement. At December 31, 2010 there were no cash equivalents.

#### Investments

The Organization records investment securities at fair value. Unrealized gains and losses on securities are included in the Statement of Activities.

#### Commodities Held for Distribution

Commodities held for distribution consist of medications, medical supplies, non-perishable food products, clothes and other supplies to assist breast cancer patients. The items have been donated to or purchased by TBCS. Purchased items are recorded at cost and donated items are recorded at estimated wholesale value.

#### 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 disclosures. Accordingly, actual results could differ from those estimates.

#### Property and Equipment

Property and equipment purchased are recorded at cost. Property and equipment is depreciated using the straight-line method over their estimated useful lives, ranging from 5 to 7 years for vehicles, furniture and equipment, and 30 to 40 years for buildings and building improvements.

#### Gifts in Kind

Gifts in kind consist of prescription and non-prescription medications, medical supplies, clothes, educational materials and other supplies donated to or purchased by TBCS for distribution. Purchased items are recorded at cost and donated items are recorded at estimated wholesale value.

## THE BREAST CANCER SOCIETY, INC.

Notes to Financial Statements

Year Ended December 31, 2010

### NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

#### Support and Revenue

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Contributions of materials and equipment are recorded at their estimated market value on the date of receipt. For unconditional promises to give collected in the next year, the Organization recognizes the pledge as receivable and revenue when collectibility of the receivable becomes reasonably ascertainable. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. At December 31, 2010, no donor restrictions have been placed upon the organization's assets.

#### Functional Allocation of Expense

Functional classifications of expenses are based upon the guidance included in the AICPA's Statement of Position No. 98-2 ("SOP 98-2"). The Organization incurs costs and expenses related to its program services and supporting services, such as fundraising and administrative. Expenses that are directly related to, and can be assigned to, program services or a single supporting activity are charged directly to such function. Joint expenses, those related to more than one function, are allocated among the appropriate functions. Salaries and benefits are allocated based on an analysis of time spent on program services and other activities. Costs associated with the Organization's combined fundraising and educational programs that are conducted simultaneously through mass mailings are allocated primarily using proportional methods based on the contents of messages and time devoted to various functions.

#### Financial Statement Presentation

The Organization complies with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

#### Contributions

The Organization uses SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. Under SFAS No. 116, contributions are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the donor restrictions. At December 31, 2010, no donor restrictions have been placed upon the Organization's assets.

#### Income Tax Status

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501 (c)(3) of the Internal Revenue Code.

**THE BREAST CANCER SOCIETY, INC.**

Notes to Financial Statements

Year Ended December 31, 2010

**NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES  
(Continued)**

Concentrations of Credit Risk

The Organization's cash balances are insured (FDIC \$250,000) by various highly rated financial institutions. Cash at times may exceed federally insured limits.

Advertising

Advertising costs are expensed as incurred.

**NOTE 2 - INVESTMENTS**

Investment securities held as of December 31, 2010 are as follows:

|              | <u>Cost</u>       | <u>Fair Value</u> |
|--------------|-------------------|-------------------|
| Mutual Funds | <u>\$ 772,902</u> | <u>\$ 863,345</u> |

**NOTE 3 – PROPERTY AND EQUIPMENT**

Property and equipment at December 31, 2010 consisted of the following:

|                                |                   |
|--------------------------------|-------------------|
| Building                       | \$ 844,551        |
| Furniture and fixtures         | 30,555            |
| Warehouse equipment            | 9,862             |
| Vehicles                       | <u>151,998</u>    |
|                                | 1,036,966         |
| Less: Accumulated depreciation | <u>(64,624)</u>   |
|                                | <u>\$ 972,342</u> |

Depreciation expense for the year ended December 31, 2010 was \$44,674.

**NOTE 4 – CONTINGENCIES**

The Organization is subject to extensive and evolving state laws and regulations that it must comply with in order to maintain licensing to solicit funds in various states. To the best of its knowledge, the Organization is in compliance in all material respects with laws and regulations affecting its operations.

## **THE BREAST CANCER SOCIETY, INC.**

Notes to Financial Statements

Year Ended December 31, 2010

### **NOTE 5 – GIFTS IN KIND**

TBCS's gifts in kind programs consist of items donated by various manufacturers and organizations. TBCS distributes these items to individual patients, hospices, clinics and hospitals who service breast cancer patients, the critically ill and impoverished, and to non-profit community service organizations. Gifts in kind received and distributed by TBCS consist principally of prescription and non-prescription medications, clothes, medical supplies, medical equipment, hygiene items, and educational materials.

For the year ended December 31, 2010, TBCS recorded \$32,095,434 in contributions for gifts in kind received, and recorded \$31,940,457 as program expense for gifts in kind distributed to others during the year ended December 31, 2010.

### **NOTE 6 – FUNCTIONAL ALLOCATION OF EXPENSES**

TBCS conducts direct response campaigns, including direct mail and telemarketing to raise funds, to disseminate public health information, to identify patients that need assistance, and to recruit volunteers to assist patients.

TBCS's direct mail consultant is retained under contract and is compensated based on a percentage of gross revenue raised by the campaign. TBCS's telemarketing contractors are compensated based on a percentage of funds raised. All of the costs associated with TBCS's telemarketing campaigns through telemarketing contractors are recorded as fund raising expenses, because AICPA Statement of Position 98-2 requires that when the majority of the compensation paid to an entity for the joint activities is based on the level of contributions raised, as was the case with TBCS's telemarketing, mail, and vehicle donation contractors, all of that amount must be classified as fundraising expense regardless of the nature of the activities.

The cost of providing the Organization's various programs and supporting services have been summarized on a functional basis in the statement of activities and detailed in the statement of functional expenses. Joint costs allocated for the year ended December 31, 2010 totaled \$1,349,461. Of that amount, \$816,993, \$167,659 and \$364,809 were allocated to program services, fundraising, and management and general, respectively.

### **NOTE 7 – SUBSEQUENT EVENTS**

The date to which events occurring after December 31, 2010, the date of the most recent balance sheet, have been evaluated for possible adjustments to the financial statements or disclosures is April 4, 2011, which is the date on which the financial statements were issued.