

NATIONAL BREAST CANCER FOUNDATION, INC.

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT
THEREON

THE YEAR ENDED JUNE 30, 2008

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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 statements of financial position of National Breast Cancer Foundation, Inc. (a nonprofit organization) as of June 30, 2008 and 2007 and the related statements of activities, functional expenses, and cash flows for the years 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 2007 financial statements, and in our report dated September 14, 2007 expressed an unqualified opinion on those statements.

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 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 audits provide 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, 2008 and 2007, and the change in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

THE MB Group, LLC

Plano, Texas
September 2, 2008

NATIONAL BREAST CANCER FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2008

(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2007)

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and cash equivalents	\$ 695,705	\$ 2,023,006
Investments	1,673,421	-
Prepaid expenses	59,277	69,762
Royalties receivable	1,383,229	966,612
Other receivables	46,911	86,101
Property and equipment, net	<u>456,137</u>	<u>449,064</u>
Total Assets	<u>\$ 4,314,680</u>	<u>\$ 3,594,545</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 73,298	\$ 67,064
Notes payable	<u>31,401</u>	<u>36,276</u>
Total Liabilities	<u>104,699</u>	<u>103,340</u>
Commitments and contingencies (Note 5)		
Net Assets-		
Unrestricted	<u>4,209,981</u>	<u>3,491,205</u>
Total Liabilities and Net Assets	<u>\$ 4,314,680</u>	<u>\$ 3,594,545</u>

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, 2008

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2007)

	Unrestricted	Totals	
		2008	2007
Revenue and Other Support:			
Contributions	\$ 7,141,274	\$ 7,141,274	\$ 5,281,436
In-kind contributions	-	-	740,583
Miscellaneous income	818	818	24,559
Investment income	112,484	112,484	99,946
Realized investment gain (loss)	(18,154)	(18,154)	58,162
Unrealized investment gain (loss)	(97,338)	(97,338)	-
Total Revenue and Other Support	<u>7,139,084</u>	<u>7,139,084</u>	<u>6,204,686</u>
Expenses:			
Program services	\$ 5,129,374	\$ 5,129,374	\$ 4,481,534
Management and general	757,671	757,671	748,910
Fund raising	533,263	533,263	410,692
Total Expenses	<u>6,420,308</u>	<u>6,420,308</u>	<u>5,641,136</u>
Change in net assets	718,776	718,776	563,550
Net assets at beginning of year	<u>3,491,205</u>	<u>3,491,205</u>	<u>2,927,655</u>
Net assets at end of year	<u>\$ 4,209,981</u>	<u>\$ 4,209,981</u>	<u>\$ 3,491,205</u>

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, 2008

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2007)

	Program Services	Management and General	Fund Raising	Totals	
				2008	2007
Breast Cancer Research	\$ 450,000	\$ -	\$ -	\$ 450,000	\$ 208,424
Mammograms	3,005,000	-	-	3,005,000	2,217,528
Mammogram machines	-	-	-	-	662,500
Payroll related expense	411,914	235,735	124,933	772,582	578,585
Retirement expense	73,440	29,994	21,438	124,872	101,726
Educational programs	595,902	-	-	595,902	491,566
Professional fees	142,291	178,163	66,458	386,912	276,443
Travel	79,677	15,975	54,410	150,062	117,270
Computer/website	519	-	22,924	23,443	17,614
Occupancy	83,905	78,468	43,452	205,825	206,987
Printing	11,485	3,039	4,737	19,261	1,955
Depreciation/Amortization	35,210	35,220	22,884	93,314	87,045
Event expense	-	-	5,000	5,000	170
Telephone	24,124	-	8,036	32,160	25,805
Marketing	95,821	9,887	64,798	170,506	303,288
Licensing	-	2,514	13,009	15,523	13,889
Postage/shipping	1,624	8,818	5,886	16,328	19,459
Equipment rental	1,267	1,594	1,073	3,934	3,771
Repair and maintenance	-	2,746	-	2,746	-
Insurance	83,249	52,825	25,271	161,345	121,332
Office supplies	6,929	12,424	2,870	22,223	23,898
Bank charges	125	14,561	16,496	31,182	16,637
Office expense	8,780	2,513	2,310	13,603	31,591
Membership fees	275	-	-	275	-
Seminars	12,427	9,957	6,437	28,821	15,207
Interest expense	910	970	1,053	2,933	3,246
Contract labor	4,500	62,268	19,788	86,556	95,200
Totals	<u>\$ 5,129,374</u>	<u>\$ 757,671</u>	<u>\$ 533,263</u>	<u>\$ 6,420,308</u>	<u>\$ 5,641,136</u>

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, 2008

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2007)

	2008	2007
Cash Flows from Operating Activities:		
Change in net assets	\$ 718,776	\$ 563,550
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	93,314	87,045
Realized investment (gain) loss	18,154	(58,162)
Unrealized investment (gain) loss	97,338	-
(Increase) decrease in:		
Prepaid expenses	10,485	43,072
Royalties receivable	(416,617)	(446,625)
Other receivables	39,190	(84,734)
Increase (decrease) in:		
Accounts payable	6,234	(73,384)
Net cash provided by operating activities	566,874	30,762
Cash Flows from Investing Activities:		
Purchases of property and equipment	(100,387)	(96,063)
Proceeds from sale of investments	1,717,584	475,465
Purchases of investments	(3,506,497)	-
Net cash provided by (used in) investing activities	(1,889,300)	379,402
Cash Flows from Financing Activities-		
Principal payments on note payable	(4,875)	(4,456)
Net increase (decrease) in cash and cash equivalents	(1,327,301)	405,708
Cash and Cash Equivalents at Beginning of Year	2,023,006	1,617,298
Cash and Cash Equivalents at End of Year	\$ 695,705	\$ 2,023,006
Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest	\$ 2,933	\$ 3,246
Supplemental Disclosures of Noncash Investing and Financing Activities:		
Property and equipment acquired through debt	\$ -	\$ 40,732

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, 2008

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 provide education and information about breast cancer and promote breast screening for low-income women.

Basis of Accounting

The accounting policies of the NBCF conform to accounting principles generally accepted in the United States of America. The financial statements of the 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 Statement of Financial Accounting Standards No. 117, *Financial Statements of Not-for-Profit Organizations*, 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.

This Statement 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 temporarily or 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, 2007, from which the summarized information was derived.

NATIONAL BREAST CANCER FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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

Cash and Cash Equivalents

For purpose of the statement of cash flows, cash equivalents consist of bank deposits and certificates of deposits due within one year.

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, 2008.

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 5 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.

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. 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.

NATIONAL BREAST CANCER FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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 year ended June 30, 2008, the Organization had no advertising costs.

Income Taxes

NBCF is a not-for-profit organization that is approved as a tax-exempt organization under Section 501(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 year ended June 30, 2008.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2008 consist of the following:

Cash in bank	\$ 310,471
Certificates of deposit due within one year	385,234
	<u>\$ 695,705</u>

NATIONAL BREAST CANCER FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 3 –PROPERTY AND EQUIPMENT

The following is a summary of property and equipment for the fiscal year ended June 30, 2008:

Furniture and Equipment	\$	118,557
Software		57,794
Automobile		40,732
Leasehold Improvements		155,807
Computer Equipment		219,528
Office Equipment		84,746
		<u>677,164</u>
Less accumulated depreciation and amortization		<u>(221,027)</u>
Total Property and Equipment, Net	\$	<u>456,137</u>

Depreciation and amortization expense for the year ended June 30, 2008 was \$93,314.

NOTE 4 – NOTES PAYABLE

The Organization has one note payable to a financial institution with a balance of \$31,401 at June 30, 2008. The note is due in monthly installments of principal and interest of \$651 at an interest rate of 8.5 percent. The note matures in July of 2010 with a lump sum payment of \$20,351 due upon maturity and is secured by the Organization's vehicle.

Scheduled maturities of notes payable for the next five fiscal years ended are as follows: 2009 - \$5,290; 2010 - \$5,760; 2011 - \$20,351; and 2012 - \$0.

NOTE 5 – LEASE COMMITMENTS

NBCF entered into a sixty-five month lease agreement, effective February 10, 2006, with Hall Financial Group Ltd. to lease corporate offices. The monthly lease payment is \$15,303 plus common area maintenance. NBCF has a five year option to renew at the prevailing market rates at the end of the lease term.

NBCF entered into a forty-three month lease agreement for a Xerox copier, effective June 30, 2006. The basic monthly charge is \$164 with a final payment of \$1,221.

Total rent expense for office and equipment leases for the year ended June 30, 2008 was approximately \$188,000.

NATIONAL BREAST CANCER FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 5 – LEASE COMMITMENTS (CONTINUED)

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

2009	\$	185,609
2010		184,787
2011		183,636
2012		76,515
Thereafter		-
		<hr/>
Total minimum lease payments	\$	<u>630,547</u>

NOTE 6 – INVESTMENTS

Investments are carried at fair value. Realized and unrealized gains and losses are reflected in the statement of activities. The following investments were held at June 30, 2008:

	Cost	Fair Value
Mutual Funds	\$ 1,488,301	\$ 1,365,349
Other investments	283,122	308,072
	<hr/>	<hr/>
	<u>\$ 1,771,423</u>	<u>\$ 1,673,421</u>

NOTE 7 – RETIREMENT PROGRAM

NBCF sponsors a profit sharing plan which is administered by a national insurance company. The plan was originally established to allow for an employer contribution of twenty-five percent of total employee compensation with certain limits. In December 2006, the employer contributions were reduced to twenty-one percent of total employee compensation. Total retirement program expense for the fiscal year ended June 30, 2008 was \$124,872.

NATIONAL BREAST CANCER FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 8 – 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 maintains cash in various financial institutions, which from time to time, may exceed federally insured limits. To minimize risk, the Organization maintains substantially all of its cash and cash equivalents with high credit quality institutions.

Three sponsors accounted for approximately 84% of total royalties receivable as of June 30, 2008. For the year ended June 30, 2008, three donors accounted for 34% of revenue.

NOTE 9 –RELATED PARTY TRANSACTIONS

During the year ended June 30, 2008, an organization for which a member of the Board of Directors is an officer contributed approximately \$764,000 to NBCF.

During the year ended June 30, 2008, NBCF contributed approximately \$200,000 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.

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