

HERS Breast Cancer Foundation

Financial Statements

June 30, 2019 and 2018

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Letter from the Executive Director:

January 20, 2020

The following financial statements and accompanying notes were reviewed by a Certified Public Accountant and were found to materially conform with accounting principles generally accepted in the United States (GAAP). Please be aware that a review is substantially less in scope than an audit.

Any questions can be directed to me or Claire Holtzmuller, CPA, at c.holtzmuller@gmail.com

Tina Fernandez Steckler
HERS Breast Cancer Foundation
2500 Mowry Avenue, Suite 130
Fremont CA 94538

HERS Breast Cancer Foundation
Statement of Financial Position
June 30, 2019 and 2018

Assets	2019	2018
Current Assets		
Cash and cash equivalents	\$ 174,678	\$ 127,888
Pledges receivable		
net of allowance for doubtful accounts of \$0	2,500	-
Trade receivables		
net of allowance for doubtful accounts of \$0	67,383	63,736
Short-term investments	80,700	61,642
Inventories	102,806	101,599
Prepaid expenses	19,610	9,592
	447,677	364,457
Total Current Assets		
Noncurrent Assets		
Long-term investments	2,584	20,334
Property and equipment	27,637	10,436
	30,221	30,770
Total Noncurrent Assets		
	\$ 477,898	\$ 395,227
Total Assets		
Liabilities and Net Assets		
Liabilities		
Current Liabilities		
Accounts payable	9,491	14,648
Accrued expenses	17,335	9,875
Sales tax payable	1,235	1,250
Deferred contributions	10,905	10,800
	38,966	36,573
Total Current Liabilities		
	38,966	36,573
Total Liabilities		
Net Assets		
Net assets without donor restrictions	438,932	358,654
	438,932	358,654
Total Net Assets		
	\$ 477,898	\$ 395,227
Total Liabilities and Net Assets		

See accompanying notes to the financial statements.

HERS Breast Cancer Foundation
Statement of Activities
For the years ended June 30, 2019 and 2018

	2019	2018
Support and revenues without donor restrictions		
Sales revenues		
Product revenues	\$ 650,999	\$ 569,008
Total Sales revenues	650,999	569,008
Fundraising income and contributions		
Contributions	90,840	124,544
Fundraising income	409,745	215,873
Contributions in-kind	129,175	45,310
Contributions of use of facilities	73,500	54,500
Total Fundraising income and contributions	703,260	440,227
Net investment income/(expense)		
Interest and dividend income		
net of investment expense	932	745
Realized gain/(loss)	(222)	4,984
Unrealized gain/(loss)	528	(3,695)
Net investment gain	1,238	2,034
Total support and revenues without donor restrictions	\$ 1,355,497	\$ 1,011,269
Cost of goods sold and expenses		
Cost of goods sold	424,308	351,674
Total Cost of goods sold	424,308	351,674
Expenses		
Program service	457,104	427,881
Fundraising	290,174	177,722
Management and general	103,633	49,514
Total Expenses	850,911	655,117
Total Cost of goods sold and expenses	1,275,219	1,006,791
Increase in net assets	80,278	4,478
Net assets at beginning of year	358,654	354,176
Net assets at end of year	\$ 438,932	\$ 358,654

See accompanying notes to the financial statements.

**HERS Breast Cancer Foundation
Statement of Functional Expenses
For the year ended June 30, 2019**

	Program Service	Fundraising	Management and General	Total
Salaries and wages	\$ 273,211	\$ 48,587	\$ 75,867	\$ 397,665
Event production, facility costs and meals	-	224,158	-	224,158
Occupancy expense - contributed use of facilities	73,500	-	-	73,500
Payroll taxes and employee benefits	30,024	5,221	8,268	43,513
Professional services	16,111	2,801	4,436	23,348
Outside services - computer and software	11,590	2,016	3,191	16,797
Office expense	9,810	1,452	2,298	13,560
Advertising	4,575	795	1,261	6,631
Insurance - workers compensation	4,453	774	1,227	6,454
Depreciation	5,475	-	168	5,643
Travel	3,495	608	962	5,065
Printing and copying	3,309	575	911	4,795
Insurance - general liability	3,241	563	892	4,696
Postage and shipping	2,752	574	908	4,234
Telephone	2,862	498	787	4,147
Outside services - wig fitter and cosmetology	3,775	-	-	3,775
Occupancy expense - storage unit	2,443	425	672	3,540
Payroll processing fees	2,311	402	638	3,351
Meals and entertainment	1,975	344	544	2,863
Training and education	1,791	311	493	2,595
Bank charges	308	54	84	446
Taxes and licenses	93	16	26	135
Total Expenses	<u>\$ 457,104</u>	<u>\$ 290,174</u>	<u>\$ 103,633</u>	<u>\$ 850,911</u>

See accompanying notes to the financial statements.

**HERS Breast Cancer Foundation
Statement of Functional Expenses
For the year ended June 30, 2018**

	Program Service	Fundraising	Management and General	Total
Salaries and wages	\$ 270,141	\$ 45,354	\$ 37,292	\$ 352,787
Event production, facility costs and meals	-	114,428	-	114,428
Occupancy expense - contributed use of facilities	52,000	2,500	-	54,500
Payroll taxes and employee benefits	23,551	3,976	3,059	30,586
Professional services	18,512	2,482	1,909	22,903
Outside services - computer and software	10,199	1,722	1,325	13,246
Office expense	6,180	1,043	1,025	8,248
Advertising	7,968	1,344	1,036	10,348
Insurance - workers compensation	3,697	624	480	4,801
Depreciation	3,823	-	118	3,941
Travel	2,549	430	331	3,310
Printing and copying	3,665	619	476	4,760
Insurance - general liability	3,549	599	460	4,608
Postage and shipping	2,546	512	392	3,450
Telephone	2,575	435	335	3,345
Outside services - wig fitter and cosmetology	7,119	-	-	7,119
Occupancy expense - storage unit	2,726	460	354	3,540
Payroll processing fees	3,805	642	494	4,941
Meals and entertainment	1,672	282	219	2,173
Training and education	1,079	182	141	1,402
Bank charges	405	68	53	526
Taxes and licenses	120	20	15	155
Total Expenses	\$ 427,881	\$ 177,722	\$ 49,514	\$ 655,117

See accompanying notes to the financial statements.

HERS Breast Cancer Foundation
Statement of Cash Flows
For the years ended June 30, 2019 and 2018

Cash Flows from Operating Activities	<u>2019</u>	<u>2018</u>
Increase in net assets	\$ 80,278	\$ 4,478
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	5,643	3,941
Investment Fees	762	711
Interest and dividend income	(1,694)	(1,456)
Net realized gains on investments	222	(4,984)
Net unrealized (gain)/loss on investments	(528)	3,695
Loss on sale of fixed assets	-	222
Changes in operating assets and liabilities		
(Increase)/Decrease in pledges receivable	(2,500)	3,800
(Increase)/Decrease in trade receivables	(3,647)	(12,181)
(Increase)/Decrease in inventory	(1,207)	9,302
(Increase)/Decrease in prepaid expenses	(10,018)	(3,218)
Increase/(Decrease) in accounts payable	(5,157)	3,335
Increase/(Decrease) in accrued expenses	7,460	(2,265)
Increase/(Decrease) in sales tax payable	(15)	(118)
Increase/(Decrease) in deferred contributions	105	(13,555)
Net cash used by operating activities	69,704	(8,293)
Cash Flows from Investing Activities		
Increase in investments	(69)	(130)
Purchase of property and equipment	(22,845)	(4,027)
Net cash used by investing activities	(22,914)	(4,157)
Net increase/(decrease) in cash and cash equivalents	46,790	(12,450)
Cash and cash equivalents at beginning of year	<u>127,888</u>	<u>140,338</u>
Cash and cash equivalents at end of year	<u>\$174,678</u>	<u>\$ 127,888</u>
Supplemental disclosure of cash flow information:		
Noncash investing activities:		
Short-term investment in certificate of deposit reinvested as long-term	2,584	20,212

See accompanying notes to the financial statements.

HERS Breast Cancer Foundation Notes to the Financial Statements June 30, 2019

1. Purpose and Summary of Significant Accounting Policies

Purpose

HERS Breast Cancer Foundation (“the Organization”) was established in 1998 and is a California corporation operating as a not-for-profit organization under Internal Revenue Code 501(c)(3). The Organization operates in three locations, Washington Hospital in Fremont, California, Stanford Health Care - ValleyCare Hospital in Pleasanton, California and Kaiser Permanente in San Leandro, California and serves the communities of San Jose, Fremont, and the San Francisco Bay Area. The Organization is publicly supported through individuals’ contributions, gifts from other organizations and fundraising events like the Annual 5k Walk & 5k/10k Walk/Run and Community Expo and the People with a Purpose gala.

Major Program

The Organization’s mission is to support all individuals healing from breast cancer by providing post-surgical products and services, regardless of financial status. The Organization operates three assistance programs: WE Support, YOU Survive, the Lymphedema Project, and Hair With Care. The programs provide bras, prostheses, support camisoles, compression garments, and wig and other head coverings to under-served survivors.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting to conform to generally accepted accounting principles as applicable to not-for-profit organizations.

Financial Statement Presentation

Financial statement presentation follows the Not-For-Profit Entities topics of the Financial Accounting Standards Codification. Net assets, revenues, expenses, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein have been classified and are reported as follows:

Net assets without donor restrictions – Net assets not subject to donor-imposed stipulations; donor-restricted contributions whose restrictions are met in the same reporting period; and endowment net assets designated by the Board of Directors or management for specific purposes (known as quasi-endowment net assets.)

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that specify a use for the contributed asset that is more specific than broad limits resulting from the nature of the Organization, the environment in which it operates, or the purpose specified for the Organization.

As of June 30, 2019 and as of June 30, 2018, the Organization did not have net assets with donor restrictions.

**HERS Breast Cancer Foundation
Notes to the Financial Statements
June 30, 2019**

1. Purpose and Summary of Significant Accounting Policies (continued)

Contributions

Cash and noncash contributions are recognized upon receipt as revenues. For financial reporting purposes, the Organization distinguishes between contributions with donor restrictions and contributions without donor restrictions. Contributions on which donors have imposed restrictions which limit the use of the donated assets are reported as restricted. When such donor-imposed restrictions are met in subsequent reporting periods, net assets are reclassified and reported as net assets without donor restrictions. Contributed assets which are subject to perpetual donor restrictions and from which only the current income may be used are classified as net assets with donor restrictions. Contributed assets for which donors have not stipulated restrictions, as well as contributions on which donors have placed restrictions which are met within the same reporting period, are reported as contributions without donor restrictions. Noncash securities and in-kind contributions are reported at their fair value upon receipt. Related expenses for in-kind contributions are reported in their various applicable expense accounts. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Unconditional promises to give (“pledges”) on which payments are receivable in future periods are reported as contribution income and as receivables. Pledges of contributions of the use of facilities are reported as contribution income according to the terms of the lease agreement. Related facility rent expense is reported on a month to month basis.

Gifts of land, buildings, and equipment are reported as net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions on use and gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. Absent explicit donor stipulation, the Organization reports expiration of donor restrictions when the donated or acquired long-lived assets are placed in service.

For the years ended June 30, 2019 and June 30, 2018, the Organization did not receive any restricted contributions.

Fundraising Income

Fundraising income consists of funds received in support of an event such as the Annual 5k Walk & 5k/10k Walk/Run and Community Expo. Support received for a future event is recorded as deferred contributions and will be recognized in revenue upon the occurrence of the event.

Product Revenues

Product revenues are recognized upon sale of the product to the customer at each of its store locations.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in bank and liquid investments purchased with an original maturity of 90 days or less at the date of purchase. Cash equivalents are defined within Level 1 of the fair value hierarchy because they are valued using quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency.

**HERS Breast Cancer Foundation
Notes to the Financial Statements
June 30, 2019**

1. Purpose and Summary of Significant Accounting Policies (continued)

Concentration of Credit Risk

The Organization maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. As of June 30, 2019 and June 30, 2018, there were no cash deposits in excess of the federally-insured limit. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant risk.

Trade Receivables

Trade receivables primarily represent amounts receivable from Medicare. Management evaluates the collectability of its accounts receivable and establishes an allowance for doubtful accounts for those accounts that are deemed not likely to be collected. As of June 30, 2019 and June 30, 2018, no allowance was deemed necessary.

Pledges Receivable

Pledges are discounted to present value using a discount rate commensurate with the risk involved. Pledges for the Annual 5k Walk & 5k/10k Walk/Run and Community Expo are solicited from individual walkers and turned in on pledge sheets the day of the Walk/Run. The Organization keeps track of individual pledges through its database. Management evaluates the collectability of its pledges receivable and establishes an allowance for doubtful accounts for those accounts that are deemed not likely to be collected. As of June 30, 2019 and June 30, 2018, no allowance was deemed necessary.

Inventories

Inventories consist of products for sale at the Organization's store locations and are accounted for at average cost.

Investments

The Organization reports its equity securities with readily determinable fair market values and all debt securities at fair market value with unrealized gains and losses included in the Statement of Activities. All of the Organization's investments are traded on national exchanges. Accordingly, the exchanges' quoted price determines fair market value. All gains and losses on investments are reported as increases or decreases to net assets without donor restrictions unless required by donors to be reinvested in net assets with donor restrictions.

Property and Equipment

Property and equipment are stated at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. The Organization has adopted a capitalization policy for assets with values greater than \$1,000 and an economic useful life of more than one year. Depreciation of property and equipment is computed using the straight-line method and a three to five year estimated useful life. Purchased artwork is capitalized and not depreciated.

Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

**HERS Breast Cancer Foundation
Notes to the Financial Statements
June 30, 2019**

1. Purpose and Summary of Significant Accounting Policies (continued)

Advertising

Advertising costs are expensed as incurred.

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, the 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. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing the Organization's program and supporting services have been summarized on a functional basis. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Expenses such as salaries and benefits of non-store workers are allocated on the basis of employee estimates of time and effort. General advertising, office and other supporting expenses are also allocated based on these time estimates to program, fundraising, and management & general expense categories.

Income Taxes

The Organization has received favorable determination letters indicating it is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Additionally, it has been classified as "other than private foundation."

The Organization reports a portion of its product sales as unrelated business income for income tax purposes. The Organization's net operating loss carryforward deferred asset is fully offset by a valuation allowance. Therefore, no provision is reflected in the financial statements.

Uncertain Tax Positions

Management has determined that the Organization does not have any uncertain tax positions or associated unrecognized benefits that materially impact the financial statements or related disclosures.

**HERS Breast Cancer Foundation
Notes to the Financial Statements
June 30, 2019**

1. Purpose and Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments

The Company measures its financial assets and liabilities at fair value based on exit price as defined by the authoritative guidance on fair value measurements, which represents the amount that would be received on the sale of an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value may be based on assumptions that market participants would use in pricing an asset or liability.

Investments are recorded using a three-level hierarchy for disclosure of fair value measurements. The valuation hierarchy is based on the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1 – Inputs to the valuation methodology are quoted prices for identical assets and liabilities in active markets.
- Level 2 – Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

2. Liquidity

As of June 30, 2019, the Organization had \$325,261 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$174,678, a pledge receivable of \$2,500, trade receivables of \$67,383, and short-term investments of \$80,700. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The trade receivables are subject to uncertainty in the timing of collection, but the majority of the balance is expected to be collected within one year. The Organization has the intention to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

HERS Breast Cancer Foundation
Notes to the Financial Statements
June 30, 2019

3. Investments

All investments are classified as Level 1. Investments are presented in the financial statements at fair market value as of June 30, 2019, as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain/(Loss)</u>
Short-term investments			
Equity and fixed income securities	\$ 55,296	\$ 60,305	\$ 5,009
Certificates of Deposit	20,395	20,395	-
	<u>\$ 75,691</u>	<u>\$ 80,700</u>	<u>\$ 5,009</u>
Long-term investments			
Certificates of Deposit	2,584	2,584	-
	<u>\$ 2,584</u>	<u>\$ 2,584</u>	<u>\$ -</u>

Investments, presented at fair market value as of June 30, 2018, are as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain/(Loss)</u>
Short-term investments			
Equity and fixed income securities	\$ 55,296	\$ 59,066	\$ 3,770
Certificates of Deposit	2,576	2,576	-
	<u>\$ 57,872</u>	<u>\$ 61,642</u>	<u>\$ 3,770</u>
Long-term investments			
Certificates of Deposit	20,334	20,334	-
	<u>\$ 20,334</u>	<u>\$ 20,334</u>	<u>\$ -</u>

The following summarizes the investment return for the years ended June 30, 2019 and June 30, 2018:

	<u>2019</u>	<u>2018</u>
Interest & Dividends Earned	\$ 1,694	\$ 1,456
Investment Fees	(178)	(119)
Administrative Fees	(584)	(592)
Realized Gain/(Loss)	(222)	4,984
Unrealized Gain/(Loss)	528	(3,695)
	<u>\$ 1,238</u>	<u>\$ 2,034</u>

**HERS Breast Cancer Foundation
Notes to the Financial Statements
June 30, 2019**

4. Property and Equipment

Property and equipment are summarized by major classifications as follows:

	2019	2018
Office equipment and furniture	\$ 31,394	\$ 38,509
Software	12,831	4,881
Purchased artwork	5,000	5,000
	49,225	48,390
Less accumulated depreciation	(21,588)	(37,954)
Total property and equipment, net	<u>\$ 27,637</u>	<u>\$ 10,436</u>

5. Accrued Expenses

Accrued expenses of \$17,335 as of June 30, 2019 and \$9,875 as of June 30, 2018 consisted of accrued paid time off.

6. Deferred Contributions

Deferred contributions of \$10,905 as of June 30, 2019 and \$10,800 as of June 30, 2018, consisted of registrations and sponsorships for the subsequent fiscal year's Annual 5k Walk & 5k/10k Walk/Run and Community Expo fundraising event which occurs in September.

7. Fair Value of Financial Instruments

As of June 30, 2019 and June 30, 2018, the carrying amounts reflected in the statement of financial position for cash and cash equivalents, pledges receivable, trade receivables and accounts payable, approximate their respective fair values due to the short maturities of those instruments.

8. Operating Leases (Contributions of Use of Facilities)

In February 2004 the Organization entered into a lease agreement with its landlord for the Fremont facility. This lease is a month-to-month lease with no termination date. There is no rent charged for the use of the facility. A fair market value for the use of the facility is \$4,000 per month. The contribution revenue and rent expense associated with this lease for the year ended June 30, 2019 was \$48,000. The contribution revenue and rent expense associated with this lease for the year ended June 30, 2018 was \$39,000.

The Organization also entered into a lease agreement with its landlord for the Pleasanton store. This lease is a month-to-month lease with no termination date. There is no rent charged for the use of the facility. A fair market value for the use of the facility is \$1,500 per month. The contribution revenue and rent expense associated with this lease for the year ended June 30, 2019 was \$18,000. The contribution revenue and rent expense associated with this lease for the year ended June 30, 2017 was \$13,000.

The Organization opened a store on January 1st, 2019 at a Kaiser Foundation hospital in San Leandro, California. There is no rent charged for the use of the facility. A fair market value for the use of the facility was \$1,250 per month. The contribution revenue and rent expense associated with this lease for the year ended June 30, 2019 was \$7,500.

**HERS Breast Cancer Foundation
Notes to the Financial Statements
June 30, 2019**

9. Income Taxes

As of June 30, 2019, the Organization had net operating loss carryforwards from unrelated business losses of approximately \$49,770 for federal and \$10,138 for state tax purposes available to reduce future taxable income, if any. If not utilized, these carryforwards will begin expiring in 2026 for federal tax purposes. As of June 30, 2019, the non-current deferred tax asset consisted of these net operating loss carryforwards. Based on the available objective evidence, management cannot conclude it is more likely than not that the net deferred tax asset will be realizable. Accordingly, the Company has provided a full valuation allowance against its deferred asset.

10. Concentration of Income from Events

For the year ended June 30, 2019 two primary fundraising events contributed 53% of total fundraising income and contributions, including in-kind contributions: the Annual 5k Walk & 5k/10k Walk/Run and Community Expo contributed 19% and the People with a Purpose gala contributed 34%. For the year ended June 30, 2018 these two fundraising events contributed approximately 60% of total fundraising income and contributions, including in-kind contributions: the Walk/Run contributed 28% and the People with a Purpose luncheon contributed 32%.

11. Subsequent Events

Management has evaluated events occurring after June 30, 2019 and through the date the financial statements were available for issuance, which is the date of the executive director's letter, for items that may require adjustment to or disclosure in the financial statements. Based upon this evaluation, there were no subsequent events that require disclosure.