

BREAST CANCER PREVENTION PARTNERS

FINANCIAL STATEMENTS

**For the Years Ended
December 31, 2019 and 2018**

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Independent Auditors' Report

Board of Directors
Breast Cancer Prevention Partners

We have audited the accompanying financial statements of Breast Cancer Prevention Partners, which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and changes in net assets, cash flows and functional expenses 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 audits to obtain reasonable assurance about whether the financial statements are free of 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Breast Cancer Prevention Partners as of December 31, 2019 and 2018, 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.

San Francisco, California

Bregante + Company LLP

July 2, 2020

www.bcocpa.com

BREAST CANCER PREVENTION PARTNERS

STATEMENTS OF FINANCIAL POSITION

December 31, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|--|-------------------|---------------------|
| ASSETS | | |
| Assets: | | |
| Cash and cash equivalents | \$ 415,025 | \$ 678,516 |
| Contributions and grants receivable, net | 418,344 | 515,911 |
| Prepaid expenses | 48,944 | 47,192 |
| Property and equipment, net | 15,503 | 47,809 |
| Other | <u>12,690</u> | <u>12,690</u> |
| Total assets | <u>\$ 910,506</u> | <u>\$ 1,302,118</u> |
| LIABILITIES AND NET ASSETS | | |
| Liabilities: | | |
| Accounts payable | \$ 36,979 | \$ 42,364 |
| Accrued payroll and vacation | 95,831 | 124,891 |
| Other accrued liabilities | - | 53,536 |
| Deferred compensation | 180,379 | 241,602 |
| Deferred rent | <u>72,382</u> | <u>70,255</u> |
| Total liabilities | 385,571 | 532,648 |
| Net assets: | | |
| Without donor restrictions: | | |
| Board designated | 3,843 | - |
| Undesignated | <u>114,403</u> | <u>89,833</u> |
| Total without donor restrictions | 118,246 | 89,833 |
| With donor restrictions | <u>406,689</u> | <u>679,637</u> |
| Total net assets | <u>524,935</u> | <u>769,470</u> |
| Total liabilities and net assets | <u>\$ 910,506</u> | <u>\$ 1,302,118</u> |

See accompanying notes to the financial statements.

BREAST CANCER PREVENTION PARTNERS

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Years Ended December 31, 2019 and 2018

| | 2019 | | | 2018 | | |
|---------------------------------------|-------------------------------|----------------------------|--------------|-------------------------------|----------------------------|--------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Revenue and support: | | | | | | |
| Contributions and grants | \$ 2,059,376 | \$ 370,038 | \$ 2,429,414 | \$ 2,216,665 | \$ 497,068 | \$ 2,713,733 |
| In-kind donations | 239,123 | - | 239,123 | 198,546 | - | 198,546 |
| Fees and other income | 68,021 | - | 68,021 | 75,436 | - | 75,436 |
| Net assets released from restrictions | 642,986 | (642,986) | - | 716,500 | (716,500) | - |
| Total revenue and support | 3,009,506 | (272,948) | 2,736,558 | 3,207,147 | (219,432) | 2,987,715 |
| Expenses: | | | | | | |
| Program | 2,108,194 | - | 2,108,194 | 2,566,723 | - | 2,566,723 |
| Fundraising | 504,561 | - | 504,561 | 468,103 | - | 468,103 |
| Management and general | 368,338 | - | 368,338 | 389,711 | - | 389,711 |
| Total expenses | 2,981,093 | - | 2,981,093 | 3,424,537 | - | 3,424,537 |
| Changes in net assets | 28,413 | (272,948) | (244,535) | (217,390) | (219,432) | (436,822) |
| Net assets, beginning of year | 89,833 | 679,637 | 769,470 | 307,223 | 899,069 | 1,206,292 |
| Net assets, end of year | \$ 118,246 | \$ 406,689 | \$ 524,935 | \$ 89,833 | \$ 679,637 | \$ 769,470 |

See accompanying notes to the financial statements.

BREAST CANCER PREVENTION PARTNERS

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|---|-------------------|-------------------|
| Cash flows from operating activities: | | |
| Changes in net assets | \$ (244,535) | \$ (436,822) |
| Adjustments to reconcile changes in net assets to net cash used by operating activities: | | |
| Depreciation and amortization | 33,300 | 35,044 |
| Loss on disposal of fixed assets | - | 411 |
| (Increase) decrease in assets: | | |
| Contributions and grants receivable, net | 97,567 | (103,904) |
| Prepaid expenses | (1,752) | 7,339 |
| Increase (decrease) in liabilities: | | |
| Accounts payable | (5,385) | (14,699) |
| Accrued payroll and vacation | (29,060) | 31,080 |
| Other accrued liabilities | (53,536) | 53,536 |
| Deferred compensation | (61,223) | 27,791 |
| Deferred rent | <u>2,127</u> | <u>7,152</u> |
| Total adjustments | <u>(17,962)</u> | <u>43,750</u> |
| Net cash used by operating activities | <u>(262,497)</u> | <u>(393,072)</u> |
| Cash flows from investing activities - | | |
| Purchases of property and equipment | <u>(994)</u> | <u>(3,013)</u> |
| Cash flows from financing activities - | | |
| Payments on capital lease obligation | <u>-</u> | <u>(908)</u> |
| Net decrease in cash and cash equivalents | (263,491) | (396,993) |
| Cash and cash equivalents, beginning of year | <u>678,516</u> | <u>1,075,509</u> |
| Cash and cash equivalents, end of year | <u>\$ 415,025</u> | <u>\$ 678,516</u> |

Supplemental disclosures of cash flow information:

| | | |
|--|--------------|-------------|
| Cash paid during the year for interest | <u>\$ 84</u> | <u>\$ 6</u> |
|--|--------------|-------------|

Supplemental disclosures of noncash investing information:

During the year ended December 31, 2018, Breast Cancer Prevention Partners disposed of equipment with an original cost basis of \$18,136 and accumulated depreciation of \$17,725.

See accompanying notes to the financial statements.

BREAST CANCER PREVENTION PARTNERS

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended December 31, 2019 and 2018

Program, fundraising, and management and general expenses for the year ended December 31, 2019 were as follows:

| | Program Expenses | | | | | | |
|--|--|----------------------------|---|------------------------------|-------------------|---------------------------|---------------------|
| | Science, Public Education & Engagement | Business Accountability | Federal & State Policy and Programs | Total Program Expenses | Fundraising | Management and General | Total Expenses |
| Personnel and related expenses | \$ 828,820 | \$ 159,924 | \$ 202,910 | \$ 1,191,654 | \$ 323,155 | \$ 225,418 | \$ 1,740,227 |
| Professional services | 135,971 | 31,162 | 176,912 | 344,045 | 24,985 | 57,523 | 426,553 |
| Occupancy | 131,273 | 23,195 | 28,377 | 182,845 | 40,961 | 22,948 | 246,754 |
| Vendor services | 119,795 | 5,385 | 3,239 | 128,419 | 70,389 | 18,165 | 216,973 |
| Office and operations | 44,028 | 4,144 | 7,034 | 55,206 | 13,862 | 38,724 | 107,792 |
| Supplies | 33,071 | - | 21,595 | 54,666 | 13,798 | - | 68,464 |
| Conferences and meetings | 36,499 | 6,301 | 12,637 | 55,437 | 4,256 | 2,453 | 62,146 |
| Public relations, design, printing and reproduction | 43,845 | 2,267 | 4,330 | 50,442 | 7,628 | 10 | 58,080 |
| Depreciation and amortization | 17,716 | 3,130 | 3,830 | 24,676 | 5,527 | 3,097 | 33,300 |
| Grants and donations | 20,654 | 75 | 75 | 20,804 | - | - | 20,804 |
| | <u>\$ 1,411,672</u> | <u>\$ 235,583</u> | <u>\$ 460,939</u> | <u>\$ 2,108,194</u> | <u>\$ 504,561</u> | <u>\$ 368,338</u> | <u>\$ 2,981,093</u> |
| Total expenses | | | | | | | |

See accompanying notes to the financial statements.

BREAST CANCER PREVENTION PARTNERS
STATEMENTS OF FUNCTIONAL EXPENSES (Continued)

For the Years Ended December 31, 2019 and 2018

Program, fundraising, and management and general expenses for the year ended December 31, 2018 were as follows:

| | <u>Program Expenses</u> | | | <u>Total Program Expenses</u> | <u>Fundraising</u> | <u>Management and General</u> | <u>Total Expenses</u> |
|--|---|------------------------------------|--|---------------------------------------|--------------------|-----------------------------------|---------------------------|
| | <u>Science, Public Education & Engagement</u> | <u>Business Accountability</u> | <u>Federal & State Policy and Programs</u> | | | | |
| Personnel and related expenses | \$ 1,025,535 | \$ 172,394 | \$ 209,888 | \$ 1,407,817 | \$ 294,466 | \$ 244,844 | \$ 1,947,127 |
| Professional services | 190,662 | 38,297 | 191,165 | 420,124 | 5,834 | 53,165 | 479,123 |
| Occupancy | 146,864 | 23,536 | 28,640 | 199,040 | 28,962 | 19,746 | 247,748 |
| Vendor services | 221,708 | 3,117 | 1,847 | 226,672 | 90,126 | 18,352 | 335,150 |
| Office and operations | 63,910 | 14,961 | 16,448 | 95,319 | 12,492 | 46,240 | 154,051 |
| Supplies | 60,538 | 33 | 117 | 60,688 | 20,768 | 97 | 81,553 |
| Conferences and meetings | 46,877 | 12,235 | 16,760 | 75,872 | 5,755 | 4,422 | 86,049 |
| Public relations, design, printing and reproduction | 40,948 | 2,421 | 2,448 | 45,817 | 5,603 | 52 | 51,472 |
| Depreciation and amortization | 20,774 | 3,329 | 4,051 | 28,154 | 4,097 | 2,793 | 35,044 |
| Grants and donations | 6,658 | 281 | 281 | 7,220 | - | - | 7,220 |
| Total expenses | <u>\$ 1,824,474</u> | <u>\$ 270,604</u> | <u>\$ 471,645</u> | <u>\$ 2,566,723</u> | <u>\$ 468,103</u> | <u>\$ 389,711</u> | <u>\$ 3,424,537</u> |

See accompanying notes to the financial statements.

BREAST CANCER PREVENTION PARTNERS

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE A -- Description of organization

Founded in 1992, Breast Cancer Prevention Partners (“BCPP”) works to prevent breast cancer by eliminating exposure to toxic chemicals and radiation linked to the disease. The organization’s focus is on the intersection of breast cancer prevention and environmental health. BCPP translates the relevant and compelling body of scientific research into public education, innovative policy and market-based campaigns directed toward systemic changes that will protect public health and reduce the incidence of breast cancer over time.

NOTE B -- Summary of significant accounting policies

Basis of accounting

The financial statements are presented on the accrual basis of accounting.

Cash and cash equivalents

Cash and cash equivalents consist primarily of cash on deposit. BCPP considers investments with a maturity of three months or less at the time of purchase to be cash equivalents.

Property and equipment

Property and equipment, if purchased, are recorded at cost or, if donated, at estimated value at the time of receipt. Property and equipment are depreciated over their estimated useful lives ranging from three to five years on the straight-line basis. Leasehold improvements are amortized over the remaining lease term on the straight-line basis. Property under capital lease is amortized over the life of the lease on a straight-line basis. BCPP generally capitalizes assets with an original cost over \$1,000.

Net assets

BCPP classifies its net assets and activities into one of two categories:

Without donor restrictions: Those net assets and activities which represent the portion of expendable funds available to support operations. A portion of these net assets may be designated by the Board of Directors for specific purposes.

With donor restrictions: Those net assets and contributions which are donor-restricted for: (a) support of specific operating activities; (b) investment for a specified term; (c) use in a specified future period; or (d) acquisition of long-lived assets. BCPP has net assets with donor restrictions for specific activities and future periods at December 31, 2019 and 2018 (see Note G).

The expiration of a donor-imposed restriction on a contribution is recognized in the period in which the restriction expires. This occurs by increasing net assets without donor restrictions and decreasing net assets with donor restrictions in the Statements of Activities and Changes in Net Assets, and the release from restrictions is reported separately from other transactions.

BREAST CANCER PREVENTION PARTNERS

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2019 and 2018

NOTE B -- Summary of significant accounting policies (continued)

Revenue recognition

BCPP recognizes donor contributions and grants upon the earlier of receipt of a contribution payment or pledge or when an agreement has been executed. Contributions and grants without donor-imposed restrictions and contributions and grants with donor-imposed restrictions are reported accordingly. Contributions and grants to be received over more than one fiscal year are recorded at the present value of the contribution using the risk-free rate of return as determined by management. BCPP did not receive any conditional grants during the years ended December 31, 2019 and 2018.

Donated goods and specialized services are recorded as in-kind donations at their estimated value on the date of receipt. Such donations are reported as revenue and support without donor restrictions unless the donor has restricted the donated asset to a specific purpose or time period. Assets donated with explicit restrictions regarding their use are reported as revenue and support with donor restrictions.

Income taxes

BCPP is exempt from federal and California income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. Therefore, no provision for federal or California income tax is reflected in the financial statements.

BCPP recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. BCPP's returns are subject to examination by federal and state tax authorities, generally for three years and four years, respectively, after they are filed.

Functional allocation of expenses

The costs of providing the program services and supporting activities of BCPP are shown on the Statements of Functional Expenses and broken into the following categories: (a) scientific work and public education and engagement related to the connection between breast cancer and exposure to toxic chemicals and radiation; (b) business accountability to move markets toward sustainable and less toxic products; (c) federal and state advocacy work to secure policies that protect people from toxic chemicals and radiation; (d) fundraising, and (e) management and general. Expenses that can be directly identified with a specific function are allocated directly to that function. For the years ended December 31, 2019 and 2018, indirect costs that benefit multiple functional areas have been allocated among the various functional areas based on time and effort estimates or a square footage analysis made by BCPP management. Expenses allocated based on time and effort include personnel and related expenses and professional services. Expenses allocated based on square footage include occupancy, office and operations and depreciation.

BREAST CANCER PREVENTION PARTNERS

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2019 and 2018

NOTE B -- Summary of significant accounting policies (continued)

Contributed goods and services

Contributions of goods are recognized at fair value when received. During the years ended December 31, 2019 and 2018, the value of contributed goods included as in-kind donations in the accompanying financial statements was \$131,589 and \$88,772, respectively, and consisted primarily of supplies for mountain climbs and other outdoor challenges.

Contributions of services are recognized at fair value when received if such services (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 donated. During the years ended December 31, 2019 and 2018, the value of contributed services included as in-kind donations in the accompanying financial statements was \$107,534 and \$109,774, respectively, and consisted primarily of consulting, legal and outreach services.

In addition, a substantial number of volunteers have donated significant amounts of time to BCPP programs. The value of these volunteer services has not been recognized in the financial statements because such services do not meet the criteria described above.

Concentration of credit risk

Financial instruments that potentially subject BCPP to concentrations of credit risk consist principally of cash and cash equivalents and contributions and grants receivable. Cash and cash equivalents on deposit in accounts at financial institutions may at times exceed federally insured limits. Except for contributions and grants receivable amounts shown individually in Note D, other contributions and grants receivable consist of amounts from donors ranging from a few dollars to \$5,000 and \$7,100 at December 31, 2019 and 2018, respectively. BCPP has not experienced any material losses in these accounts and management believes it is not exposed to any significant credit risk with respect to cash and cash equivalents and contributions and grants receivable.

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, disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

BREAST CANCER PREVENTION PARTNERS

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2019 and 2018

NOTE B -- Summary of significant accounting policies (continued)

Accounting pronouncements adopted

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities (“ASU 2016-14”), which improves the current net asset classification requirements and the information presented in financial statements and notes about an entity’s liquidity, financial performance, and cash flows. The update replaces the requirement to present three classes of net assets with two classes, net assets with donor restrictions and net assets without donor restrictions. The update also removes the requirement to present or disclose the indirect method (reconciliation) if using the direct method for the statement of cash flows as well as added several additional enhanced disclosures to the notes. BCPP adopted this ASU for the year ended December 31, 2018.

In November 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash (“ASU 2016-18”), which requires the statement of cash flows to explain the change during the period in the total cash, cash equivalents, and amounts generally described as a restricted cash or restricted cash equivalents. BCPP adopted this ASU for the year ended December 31, 2019. The adoption of ASU No. 2016-18 did not have an impact on BCPP’s financial statements.

In June 2018, the FASB issued Accounting Standards Update (ASU) No. 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (“ASU 2018-08”). The amendments in this update should assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance, and also in determining whether a contribution is conditional. BCPP adopted this ASU for the year ended December 31, 2019. The adoption of ASU No. 2018-08 did not have an impact on BCPP’s financial statements.

Recent accounting pronouncement

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842) (“ASU 2016-02”), which increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements in the financial statements of lessees. This update is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. The adoption is effective for BCPP for the year ending December 31, 2022. Management is currently evaluating the impact on the financial statements due to the provisions of ASU No. 2016-02.

BREAST CANCER PREVENTION PARTNERS

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2019 and 2018

NOTE C – Liquidity and availability of resources

BCPP's financial assets available within one year of the Statements of Financial Position for general expenditures at December 31 are as follows:

| | <u>2019</u> | <u>2018</u> |
|---|-------------------|-------------------|
| Financial assets at year end: | | |
| Cash and cash equivalents | \$ 415,025 | 678,516 |
| Contributions and grants receivable, net | <u>418,344</u> | <u>515,911</u> |
| Total financial assets | <u>833,369</u> | <u>1,194,427</u> |
| Less amounts not available to be used within one year: | | |
| Contributions and grants receivable - due after one year, net | (94,120) | (190,631) |
| Restricted by donors - subject to time restrictions | - | (16,672) |
| Restricted by donors - program expenditures | <u>(129,351)</u> | <u>(358,190)</u> |
| Financial assets not available to be used within one year | <u>(223,471)</u> | <u>(565,493)</u> |
| Financial assets available to meet general expenditures within one year | <u>\$ 609,898</u> | <u>\$ 628,934</u> |

As part of BCPP's liquidity management, BCPP has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. BCPP's goal is to have cash on hand to meet 60 days of normal operating expenses. As described in Note F, BCPP also maintains a line of credit commitment in the amount of \$100,000 which it could draw upon in the event of an unanticipated liquidity need. In addition, as described in Note J, BCPP secured two U.S. Small Business Administration (SBA) loans under the CARES Act subsequent to the year ended December 31, 2019, for a total of \$822,000 to increase funds available for general expenditures in 2020.

BREAST CANCER PREVENTION PARTNERS

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2019 and 2018

NOTE D -- Contributions and grants receivable

Contributions and grants receivable consist of unconditional promises to give from multiple donors. The balances at December 31 consist of the following:

| | <u>2019</u> | <u>2018</u> |
|---|-----------------------|-----------------------|
| pH Fund (multi-year grant) | \$ 200,000 | \$ 300,000 |
| Marisla Foundation | 75,000 | - |
| The John and Hilda Blaustein Foundation | 65,000 | - |
| California Breast Cancer Research Program | 36,602 | 151,602 |
| University of California | 9,538 | 11,568 |
| Park Foundation | - | 40,000 |
| Other donors | <u>38,084</u> | <u>22,110</u> |
| | 424,224 | 525,280 |
| Less present value discount for the pH Fund | <u>(5,880)</u> | <u>(9,369)</u> |
| Total | <u>\$ 418,344</u> | <u>\$ 515,911</u> |

Contributions and grants receivable are due as follows:

| | <u>Years Ending December 31,</u> |
|-----------------------------|----------------------------------|
| | 2020 |
| | 2021 |
| | \$ 324,224 |
| | <u>100,000</u> |
| | 424,224 |
| Less present value discount | <u>(5,880)</u> |
| | <u>\$ 418,344</u> |

Contributions and grants receivable due in one to five years at December 31, 2019 and 2018 were \$100,000 and \$200,000, respectively, and have been discounted to present value using a 2.51% rate. The present value discount will be recognized in income as a contribution over the period from the date the promise is made to the earlier of the date of collection or the date it is due.

BREAST CANCER PREVENTION PARTNERS

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2019 and 2018

NOTE E -- Property and equipment

Property and equipment at December 31 consist of the following:

| | <u>2019</u> | <u>2018</u> |
|--|------------------|------------------|
| Furniture, fixtures, website and other assets | \$ 105,526 | \$ 105,526 |
| Office equipment | 117,541 | 116,547 |
| Leasehold improvements | <u>34,757</u> | <u>34,757</u> |
| | 257,824 | 256,830 |
| Less accumulated depreciation and amortization | <u>(242,321)</u> | <u>(209,021)</u> |
| Property and equipment, net | <u>\$ 15,503</u> | <u>\$ 47,809</u> |

Depreciation and amortization expense for the years ended December 31, 2019 and 2018 was \$33,300 and \$35,044, respectively.

NOTE F -- Bank line of credit

BCPP has a line of credit with a bank which provides a borrowing limit of up to \$100,000. The interest on the line is payable on a monthly basis, computed at prime rate plus 3.25% (8% and 8.75% at December 31, 2019 and 2018, respectively). There were no outstanding borrowings on the line of credit at December 31, 2019 and 2018.

NOTE G -- Net assets with donor restrictions and net assets released from restrictions

Net assets with donor restrictions are available for the following at December 31:

| | <u>2019</u> | <u>2018</u> |
|---|-------------------|-------------------|
| Capacity-building and strategic plan implementation | \$ 100,608 | \$ 132,888 |
| Business accountability campaigns | 16,667 | 56,667 |
| Science and education programs | 47,785 | 137,552 |
| Federal and state policy and programs | 69,528 | 252,783 |
| Leadership transition fund | 32,101 | 99,747 |
| Restricted for time only | <u>140,000</u> | <u>-</u> |
| Total net assets with donor restrictions | <u>\$ 406,689</u> | <u>\$ 679,637</u> |

BREAST CANCER PREVENTION PARTNERS

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2019 and 2018

NOTE G -- Net assets with donor restrictions and net assets released from restrictions (continued)

Net assets were released from donor restrictions during the years ended December 31, 2019 and 2018 by incurring expenses satisfying the purpose of the restriction, by the passage of time, or by the occurrence of other specific events as follows:

| | <u>2019</u> | <u>2018</u> |
|---|-------------------|-------------------|
| Capacity-building and strategic plan implementation | \$ 32,280 | \$ 91,733 |
| Business accountability campaigns | 40,000 | 23,333 |
| Science and education programs | 94,805 | 142,151 |
| Federal and state policy and programs | 268,255 | 257,530 |
| Leadership transition fund | 67,646 | 151,753 |
| Restricted for time only | <u>140,000</u> | <u>50,000</u> |
| Net assets released from restrictions | <u>\$ 642,986</u> | <u>\$ 716,500</u> |

NOTE H -- Lease obligations

Capital lease

BCPP entered into a capital lease agreement for the purchase of its telephone system in January 2013 under the terms of a five-year lease agreement that expired in February 2018. The initial present value of the minimum lease payments for the telephone system of \$23,936 has been capitalized in the financial statements and is included in office equipment (Note E). The lease required 60 monthly payments of \$458, including interest. The effective interest rate on the capital lease was 5.59%.

The asset held under the capital lease was amortized on the straight-line basis over 60 months, the life of the lease. Amortization of the asset of \$2,149 is included in depreciation and amortization expense for the year ended December 31, 2018. Accumulated amortization on this equipment was \$23,936 at December 31, 2018.

A buyout option was included in the initial capital lease agreement and was exercised by BCPP on May 18, 2018. The cost to exercise the buyout option of \$3,013 has been capitalized in the financial statements and is included in office equipment (Note E).

BREAST CANCER PREVENTION PARTNERS

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2019 and 2018

NOTE H -- Lease obligations (continued)

Operating leases

BCPP leases its operating facilities in San Francisco, California under the terms of a lease agreement which was renewed in 2014 for an additional ten years, expiring on September 30, 2024. BCPP also leases equipment under the terms of an operating lease which expires in December 2020 with monthly payments of \$276.

Rent expense was \$245,722 and \$246,419, for the years ended December 31, 2019 and 2018, respectively.

Future minimum lease payments under the operating lease commitment for operating facilities and equipment are as follows:

| <u>Years Ending December 31,</u> | <u>Facilities</u> | <u>Equipment</u> | <u>Total</u> |
|----------------------------------|---------------------|------------------|---------------------|
| 2020 | \$ 217,434 | \$ 3,312 | \$ 220,746 |
| 2021 | 223,509 | - | 223,509 |
| 2022 | 229,593 | - | 229,593 |
| 2023 | 235,677 | - | 235,677 |
| 2024 | 180,180 | - | 180,180 |
| | <u>\$ 1,086,393</u> | <u>\$ 3,312</u> | <u>\$ 1,089,705</u> |

NOTE I -- Retirement plans and deferred compensation

BCPP maintains a defined contribution 403(b) retirement plan for all employees. Employees are eligible to make elective contributions following the date of hire up to the maximum allowed by the Internal Revenue Code. BCPP does not make contributions to the plan.

BCPP has a Section 457(b) Deferred Compensation Plan (the "Plan") to permit certain key employees to defer receipt of current compensation in order to provide retirement benefits on behalf of such employees. The Plan is not intended to be a qualified plan under the provisions of the Internal Revenue Code. All compensation deferred under the Plan is held in the name of BCPP for the benefit of the participants. Participants' rights to receive the compensation deferred under this plan are subject to minimum vesting requirements. Contributions accrued to the Plan by BCPP for the years ended December 31, 2019 and 2018 were \$0 and \$18,500, respectively.

BREAST CANCER PREVENTION PARTNERS

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2019 and 2018

NOTE I -- Retirement plans and deferred compensation (continued)

On December 31, 2018, the President and Chief Executive Officer retired from BCPP and, in accordance with the terms of the Plan, made an election to receive her 457(b) retirement benefits in equal monthly installments over a 37-month period beginning March 2019 and maturing April 2022. Expected future payments, including estimated accrued earnings until maturity, total approximately \$84,000 in 2020, \$84,000 in 2021, and \$21,000 in 2022. These retirement benefits earn interest at the greater of an annual rate of 4% or an intermediate-term fixed income index annual rate.

NOTE J -- Subsequent events

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States and the world. This pandemic has disrupted the normal operations of BCPP. BCPP is monitoring the outbreak of COVID-19, the impact on its employees, social distancing guidelines for gatherings and outdoor challenges, travel restrictions, and financial impacts to its donor base. BCPP's cashflow during the first two quarters of 2020 has been impacted by the cancellation, postponement and shift to a virtual format of three fundraising events planned for the spring and summer months. The format of BCPP's 2020 fall outdoor events is being reviewed for feasibility. It is not possible for management to predict the duration or magnitude of the adverse results of the pandemic and its disruptive effects on BCPP's operations and liquidity as of the report date.

In April 2020, the Executive Committee of the Board of Directors approved BCPP to participate in two SBA loan programs under the CARES Act. BCPP obtained an SBA Payroll Protection Plan loan for \$322,000, and expects that substantially all of the loan will be forgiven under the terms of the loan agreement. Any portion of the loan not forgiven bears interest at a 1% annual rate, with repayment required over an anticipated 18 months, commencing in 2021. BCPP also obtained an SBA Economic Injury Disaster loan in the amount of \$500,000. This is a 30-year term loan at a 2.75% interest rate with the first payment due in April 2021. The proceeds from these two loans will be used to help cover normal operating expenses as BCPP navigates the shift to virtual fundraising events for the remainder of 2020.

The date to which events occurring after December 31, 2019 have been evaluated for possible adjustments to the financial statements or disclosure is July 2, 2020, which is the date on which the financial statements were available to be issued.