

Movember Foundation
Financial Statements
For the Years Ended
April 30, 2017 and 2016
and
Independent Auditor's Report

Movember Foundation
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Independent Auditor's Report

To the Board of Directors
Movember Foundation
Culver City, California

We have audited the accompanying financial statements of Movember Foundation (a non-profit organization) which comprise the statements of financial position as of April 30, 2017 and 2016, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's 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 Movember Foundation as of April 30, 2017 and 2016, 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.

HBLA Certified Public Accountants, Inc.

August 29, 2017

Movember Foundation
Statements of Financial Position
April 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>Assets</u>		
Current Assets		
Cash and cash equivalents	\$ 18,159,106	\$ 15,271,813
Accounts and other receivables	58,741	1,026,502
Net related party receivable	576,982	313,244
Inventory	24,374	-
Prepaid expenses	77,095	52,996
	<u>18,896,298</u>	<u>16,664,555</u>
Total current assets	18,896,298	16,664,555
Property and equipment, net	24,433	39,628
Other Assets		
Deposits	75,501	102,101
	<u>75,501</u>	<u>102,101</u>
Total assets	<u>\$ 18,996,232</u>	<u>\$ 16,806,284</u>
<u>Liabilities and Net Assets</u>		
Current Liabilities		
Accounts payable	\$ 304,789	\$ 101,792
Accrued expenses	163,499	133,306
Payments received in advance	1,841,186	-
Payable to Men's Health Partners	4,902,784	5,868,545
	<u>7,212,258</u>	<u>6,103,643</u>
Total current liabilities	7,212,258	6,103,643
Net Assets		
Unrestricted		
Board designated for Men's Health Programs	7,261,702	6,526,405
Undesignated	4,522,272	4,176,236
	<u>11,783,974</u>	<u>10,702,641</u>
Total net assets	11,783,974	10,702,641
Total liabilities and net assets	<u>\$ 18,996,232</u>	<u>\$ 16,806,284</u>

See accompanying notes to financial statements

Movember Foundation
Statements of Activities and Changes in Net Assets
For the Years Ended April 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Changes in Unrestricted Net Assets		
Support and revenue		
Fundraising contributions received	\$ 16,286,551	\$ 16,145,309
Gala party	-	4,231
Sales of goods	174,542	92,127
Interest and other income	<u>51,344</u>	<u>21,576</u>
Total support and revenue	<u>16,512,437</u>	<u>16,263,243</u>
Expenses		
Program		
Men's Health Programs	4,077,155	3,876,491
Donated to Men's Health Partners	7,530,971	7,718,306
Administration	1,255,237	1,316,328
Fundraising	<u>2,567,741</u>	<u>2,506,302</u>
Total expenses	<u>15,431,104</u>	<u>15,417,427</u>
Increase in unrestricted net assets	1,081,333	845,816
Unrestricted net assets at beginning of year	<u>10,702,641</u>	<u>9,856,825</u>
Unrestricted net assets at end of year	<u><u>\$ 11,783,974</u></u>	<u><u>\$ 10,702,641</u></u>

See accompanying notes to financial statements

Movember Foundation
Statement of Functional Expenses
For the Year Ended April 30, 2017

	<u>Program</u>		<u>Supporting Services</u>		
	<u>Men's Health</u>				
	<u>Programs</u>	<u>Funds Donated</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
Donation to Prostate Cancer Foundation	\$ -	\$ 4,727,784	\$ -	\$ -	\$ 4,727,784
Funding to other beneficiaries	-	5,060,918	-	-	5,060,918
Reimbursement of donation to LIVESTRONG Foundation	-	(2,257,731)	-	-	(2,257,731)
Administration	6,392	-	49,788	-	56,180
Marketing and promotion	255,598	-	-	249,833	505,431
Health education, awareness, and communication	326,462	-	-	221,932	548,394
Professional services	121,858	-	38,553	297,429	457,840
Information and technology	(194,035)	-	64,427	-	(129,608)
Salaries and related costs	1,250,243	-	-	726,710	1,976,953
Travel	74,335	-	-	46,163	120,498
Entertainment	18,993	-	10,628	214	29,835
Web	15,484	-	-	83	15,567
Rent and utilities	35,113	-	261,831	-	296,944
Other	-	-	42,889	-	42,889
Foreign exchange gain (see Note 8)	(9)	-	(989)	-	(998)
Global services allocations	2,166,073	-	768,064	1,025,377	3,959,514
Depreciation	648	-	20,046	-	20,694
Total expenses	\$ 4,077,155	\$ 7,530,971	\$ 1,255,237	\$ 2,567,741	\$ 15,431,104

See accompanying notes to financial statements

Movember Foundation
Statement of Functional Expenses
For the Year Ended April 30, 2016

	<u>Program</u>		<u>Supporting Services</u>		
	<u>Men's Health</u>				
	<u>Programs</u>	<u>Funds Donated</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
Donation to Prostate Cancer Foundation	\$ -	\$ 5,568,545	\$ -	\$ -	\$ 5,568,545
Donation to LIVESTRONG Foundation	-	250,000	-	-	250,000
Funding to other beneficiaries	-	2,845,810	-	-	2,845,810
Reimbursement of Donation to LIVESTRONG Foundation	-	(946,049)	-	-	(946,049)
Administration	289	-	24,842	-	25,131
Marketing and promotion	580,931	-	-	4,599	585,530
Health education, awareness, and communication	401,115	-	98	-	401,213
Professional services	66,949	-	51,251	293,239	411,439
Information and technology	217,945	-	314,129	-	532,074
Salaries and related costs	616,743	-	2,718	1,194,916	1,814,377
Travel	167,905	-	-	28,063	195,968
Entertainment	6,199	-	10,218	-	16,417
Web	32,882	-	-	-	32,882
Rent and utilities	-	-	339,610	-	339,610
Other	15,086	-	71,304	-	86,390
Foreign exchange loss (see Note 8)	7,480	-	3,031	5,401	15,912
Global services allocation	1,762,967	-	459,756	980,084	3,202,807
Depreciation	-	-	39,371	-	39,371
Total expenses	\$ 3,876,491	\$ 7,718,306	\$ 1,316,328	\$ 2,506,302	\$ 15,417,427

See accompanying notes to financial statements

Movember Foundation
Statements of Cash Flows
For the Years Ended April 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Change in unrestricted net assets	\$ 1,081,333	\$ 845,816
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:		
Depreciation	20,694	39,371
Loss on disposal of property and equipment	2,163	-
(Increase) decrease in assets:		
Accounts and other receivables	967,761	(549,861)
Related party receivable	(263,738)	(241,540)
Deposits	26,600	30,000
Inventory	(24,374)	-
Prepaid expenses and other assets	(24,099)	10,525
Increase (decrease) in liabilities:		
Accounts payable	202,997	83,827
Accrued expenses	30,193	12,818
Payments received in advance	1,841,186	-
Payable to Men's Health Partners	(965,761)	2,161,691
Total adjustments	<u>1,813,622</u>	<u>1,546,831</u>
Net cash provided by operating activities	2,894,955	2,392,647
Cash flows from investing activities		
Purchases of property and equipment	<u>(7,662)</u>	<u>(13,253)</u>
Net increase in cash and cash equivalents	2,887,293	2,379,394
Cash and cash equivalents, beginning of year	<u>15,271,813</u>	<u>12,892,419</u>
Cash and cash equivalents, end of year	<u><u>\$ 18,159,106</u></u>	<u><u>\$ 15,271,813</u></u>

See accompanying notes to financial statements

Movember Foundation
Notes to Financial Statements
April 30, 2017 and 2016

1. Organization

Movember Foundation (the Foundation) (a California non-profit Corporation), with an office in Culver City, California, is a not-for-profit organization formed in 2007 to organize and promote events and campaigns to bring the world's largest movement for men's health to the United States. The Foundation aims to help men live longer, healthier, and happier lives through investing in three key areas: prostate cancer, testicular cancer, and suicide prevention. The Foundation raises funds primarily from individual donors and provides donations to select organizations that serve as the Foundation's Men's Health Partners including the Foundation (to fund internal programs), the Prostate Cancer Foundation (PCF), the Prevention Institute, the University of South Florida, Emory University, Oregon Health & Science University, University of California San Francisco, and the LIVESTRONG Foundation (LSF). The Foundation is an affiliate of the Australian based The Movember Group Pty Limited (MGPL), Trustee of the Movember Foundation.

The Foundation's internal programs help fund world-class medical research and support programs, including the Global Action Plan (GAP) and the TrueNTH initiative. GAP is an international collaborative research initiative, fast tracking to a time when no man will die from prostate or testicular cancer. There are seven GAP projects currently underway, two of which address prostate cancer and five of which addresses testicular cancer. TrueNTH is the Foundation's new global initiative in Australia, Canada, the United Kingdom and the United States to help men, their families, and their caregivers to improve the quality of life after a prostate cancer diagnosis. TrueNTH is an international collaboration bringing together key disciplines and skills from across the world to develop innovative, evidence-based interventions and patient-centered care models that will improve the physical and mental well-being of men living with prostate cancer.

2. Summary of Significant Accounting Policies

Support and Revenue

The Foundation receives most of its income from contributions. The primary campaign activities occur in the month of November each year. Amounts contributed are recognized when they are received by the Foundation or when there is a written unconditional promise to give by the donor.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions.

Net assets of the two restricted classes are created by donor-imposed restrictions on their use. All other net assets, including Board-designated amounts, are legally unrestricted, and are reported as part of the unrestricted class.

Unrestricted net assets consist of funds that are available for the Foundation to utilize in any of its programs or supporting services at the discretion of the Board of Directors.

Temporarily restricted net assets consist of funds that are restricted by donors for a specific time period or purpose.

Permanently restricted net assets consist of funds that contain donor-imposed restrictions requiring the principal be invested in perpetuity and that only the income be used. Income earned on these funds may be unrestricted or temporarily restricted, depending upon the donor-imposed restrictions. There were no temporarily or permanently restricted net assets at April 30, 2017 or 2016.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers cash on hand, cash in demand deposit accounts including money market funds, and instruments with an original maturity date of 90 days or less at date of purchase to be cash and cash equivalents. The Foundation maintains its cash and cash equivalent balances with three banks. Deposits of up to \$250,000 at FDIC-insured institutions are covered by FDIC insurance. Deposits are

Movember Foundation
Notes to Financial Statements
April 30, 2017 and 2016

2. Summary of Significant Accounting Policies (Continued)

generally in excess of the FDIC insurance limit; however, management does not believe the Foundation is exposed to any significant related credit risk.

Property and Equipment

Property and equipment are stated at cost, or fair market value at the date of donation if the property is donated, less accumulated depreciation. Depreciation is accounted for on the straight line method over the estimated useful lives of the assets, which is 5 years for furniture and fixtures and 2.5 years for computer equipment. Leasehold improvements are depreciated over the shorter of the useful life of the improvement or the lease term, including renewal periods that are reasonably assured.

Expenditures for maintenance and repairs are expensed in the period incurred. Expenditures for major improvements are capitalized. Costs of assets sold or retired and the related amounts of accumulated depreciation are eliminated from the accounts in the year of sale or retirement.

Functional Allocation of Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Certain costs have been allocated among the programs, administrative, and fundraising activities benefited.

Income Taxes

The Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and under Section 23701(d) of the California Revenue and Taxation Code.

The Foundation's informational returns for the years ended April 30, 2014 and subsequent remain open for examination by the Internal Revenue Service. The returns for California, the Foundation's only state jurisdiction, remain open for examination by state tax authorities for the years ended April 30, 2013 and subsequent.

Management Estimates

Preparing the Foundation's financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and 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. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through August 29, 2017, the date the financial statements were available to be issued.

Movember Foundation
Notes to Financial Statements
April 30, 2017 and 2016

3. Cash and Cash Equivalents

The Foundation's cash and cash equivalents balances have been designated by the Board of Directors for the following purposes as of April 30:

	<u>2017</u>	<u>2016</u>
Payable to Men's Health Partners	\$ 4,902,784	\$ 5,868,545
Reserved for Men's Health Programs	7,261,702	6,526,405
Reserved for future expenses and reserves	<u>5,994,620</u>	<u>2,876,863</u>
Total cash and cash equivalents	<u>\$ 18,159,106</u>	<u>\$ 15,271,813</u>

4. Receivable from Beneficiary

During the year ended April 30, 2015, the Foundation set up the TrueNTH program, which was intended to be administered by LSF. During the year ended April 30, 2016, the Foundation agreed to undertake the management of various programs previously administered by LSF, including the TrueNTH program. As a result, LSF agreed to return funds donated by the Foundation in previous years. Included in accounts and other receivables at April 30, 2016 is \$934,128, which represents these amounts due from LSF to the Foundation. This amount was paid in full, net of the amount the Foundation owed to LSF, in September 2016. LSF paid the Foundation all the refunds relating to program costs for the year ended April 30, 2017 before the end of the year.

5. Property and Equipment

Property and equipment consists of the following at April 30:

	<u>2017</u>	<u>2016</u>
Furniture and fixtures	\$ 46,383	\$ 46,383
Computer equipment	87,681	87,640
Leasehold improvements	<u>32,661</u>	<u>32,661</u>
Total property and equipment	166,725	166,684
Less accumulated depreciation	<u>(142,292)</u>	<u>(127,056)</u>
Total property and equipment, net	<u>\$ 24,433</u>	<u>\$ 39,628</u>

6. Distributions to Men's Health Partners, Donations Payable, and Payments Received in Advance

All donations to the Men's Health Partners are included under program expenses in the statements of activities and changes in net assets.

Donations payable totaling \$4,902,784 and \$5,868,545 reflected in the statements of financial position at April 30, 2017 and 2016, respectively, consist of binding commitments awarded to Men's Health Partners during the years then ended but not paid as of the end of each financial year.

Payments received in advance totaling \$1,841,186 reflected in the statement of financial position at April 30, 2017 consist of amounts paid by LSF to the Foundation for administration of the TrueNTH program in the following year.

Movember Foundation
Notes to Financial Statements
April 30, 2017 and 2016

7. Operating Leases

On May 30, 2013, the Foundation entered into a five-year lease agreement (the Agreement) for office space in Culver City, California. Minimum monthly payments under the Agreement are \$30,223 plus various common area charges and utilities. The Agreement provides for rent increases. On June 6, 2013, the Foundation paid a security deposit of \$132,101. Under certain circumstances, \$60,000 of the security deposit may be refunded to the Foundation on an accelerated basis. \$30,000 of the security deposit was refunded to the Foundation during each of the years ended April 30, 2017 and 2016.

Rent expense was approximately \$284,000 and \$326,000 for the years ended April 30, 2017 and 2016, respectively. Rent reimbursed from MGPL, a related entity, totaled approximately \$123,000 and \$96,000 for the years ended April 30, 2017 and 2016, respectively.

Future minimum lease payments are as follows for the years ending April 30:

2018	\$ 392,452
2019	<u>132,100</u>
Total	<u>\$ 524,552</u>

8. Foreign Exchange

Included in the Foundation's administration costs for the years ended April 30, 2017 and 2016 are exchange gains and losses, which relate to expenses allocated from MGPL for the Foundation's share of its global expenses (see Note 9). These intercompany allocations are subject to the inherent risks associated with foreign exchange rate movements. Foreign currency denominated assets and liabilities are translated into U.S. dollars at the exchange rate existing at the statement of financial position date, and revenue and expense items are translated at the exchange rate existing at the transaction date. MGPL structures intercompany transactions and settlements to ensure that the majority of foreign exchange gains or losses, representing changes in exchange rates from the transaction date to the settlement date, are borne by MGPL and not by the Foundation.

During the years ended April 30, 2017 and 2016, fluctuations in the value of the U.S. dollar caused a net foreign exchange gain of approximately \$1,000 and loss of approximately \$16,000, respectively.

9. Global Service Allocations

MGPL, together with local country affiliates (including the Foundation), is a global operation with its head office based in Melbourne, Australia. In order to minimize costs in all countries in which the Foundation operates, MGPL charges the Foundation for its share of certain costs for central services. These services are conducted centrally to ensure consistency over the Movember brand and to achieve economies of scale for Movember's global programs, thereby resulting in lower costs in each country. The services carried out centrally include website development, hosting and maintenance; campaign theme design and related materials; financial and accounting services; human resources services; and general management, including program implementation and beneficiary partner management services. Management of MGPL and the Foundation believe the charge from MGPL is significantly less than if the Foundation were to conduct all of these activities on a stand-alone local basis. The costs are charged on actual consumption or, where this cannot be identified, on an equitable basis that is fair to all regions. MGPL does not charge interest or mark up costs. The global services allocation expense for the Foundation was \$3,959,514 and \$3,202,807 for the years ended April 30, 2017 and 2016, respectively.

Movember Foundation
Notes to Financial Statements
April 30, 2017 and 2016

10. Related Party Transactions

The Foundation performs a variety of services for MGPL, Movember Canada, and other related entities and charges them for these services. The Foundation charged MGPL and some of the other international entities for these expenses, primarily related to salaries, paid by the Foundation but allocated to those entities. Expense reimbursements received or receivable from MGPL totaled \$2,810,329 and \$2,749,722 and from Movember Canada totaled \$192,255 and \$130,135 for services provided during the years ended April 30, 2017 and 2016, respectively.

The Foundation purchases and pays for campaign and Mo Collection merchandise on behalf of Movember Europe and other related entities. Those entities then reimburse the Foundation for their share of the products purchased. Expense reimbursements received or receivable from Movember Europe for campaign and Mo Collection merchandise provided during the years ended April 30, 2017 and 2016 totaled \$37,712 and \$86,309, respectively.

Reimbursements received or receivable are netted against related operating expenses.

MGPL charged the Foundation its share of certain costs for services provided by MGPL through the global services allocation (see Note 9) and for program management. These amounts totaled \$4,446,140 and \$5,074,718 during the years ended April 30, 2017 and 2016, respectively.

Amounts receivable from (payable to) related parties are as follows at April 30:

	<u>2017</u>	<u>2016</u>
MGPL	\$ 422,472	\$ 281,568
Canada	84,552	2,009
Europe (Consolidated)	62,792	30,257
New Zealand	7,166	(164)
e.V. (Germany)	-	(426)
	<u>576,982</u>	<u>313,244</u>
Total	<u>\$ 576,982</u>	<u>\$ 313,244</u>

11. Allocation of Joint Costs

During the years ended April 30, 2017 and 2016, the Foundation conducted activities that included a campaign and special events and incurred joint costs of \$5,353,659 and \$4,700,067, respectively. Joint costs were allocated as follows.

	<u>2017</u>	<u>2016</u>
Men's Health Awareness	\$ 2,271,934	\$ 1,978,779
Administration	781,153	485,466
Fundraising	<u>2,300,572</u>	<u>2,235,822</u>
Total	<u>\$ 5,353,659</u>	<u>\$ 4,700,067</u>

12. Retirement Plan

The Foundation maintains a 401(k) retirement plan for its employees who are 21 years of age and older. Under the plan, eligible employees may elect to defer up to 80% of their compensation subject to Internal Revenue Service limits. The Foundation does not make any matching contributions.