

MOVEMBER, INC.

Financial Statements
For the Years Ended
April 30, 2012 and 2011
and
Independent Auditors' Report

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Independent Auditors' Report

To The Board of Directors
Movember, Inc.
Venice, California

We have audited the accompanying financial statements of Movember, Inc. (a not-for-profit organization) as of April 30, 2012 and 2011, and for the years then ended, as listed in the foregoing table of contents. These financial statements are the responsibility of Movember, Inc.'s management. 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 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 Movember, Inc. as of April 30, 2012 and 2011, and the changes 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.

HBLA Certified Public Accountants, Inc.

August 10, 2012

MOVEMBER, INC.

STATEMENTS OF FINANCIAL POSITION

APRIL 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 13,215,000	\$ 4,884,355
Prepaid expenses	10,941	7,802
TOTAL CURRENT ASSETS	13,225,941	4,892,157
PROPERTY AND EQUIPMENT, net	13,098	6,050
OTHER ASSETS		
Deposits	9,600	9,600
TOTAL ASSETS	<u>\$ 13,248,639</u>	<u>\$ 4,907,807</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ -	\$ 605
Accrued expenses	48,250	46,745
Payable to Men's Health Partners	10,268,873	3,967,254
Net related party payable	177,792	496,833
TOTAL CURRENT LIABILITIES	10,494,915	4,511,437
NET ASSETS		
Unrestricted		
Board designated for Global Action Plan	1,167,926	-
Undesignated	1,585,798	396,370
TOTAL UNRESTRICTED NET ASSETS	<u>2,753,724</u>	<u>396,370</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 13,248,639</u>	<u>\$ 4,907,807</u>

See accompanying notes to financial statements

MOVEMBER, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED APRIL 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
SUPPORT AND REVENUE		
Contributions received	\$ 15,263,318	\$ 7,498,600
Gala party	8,815	5,550
Merchandise	-	24,713
Interest and other income	12,057	7,078
	<u>15,284,190</u>	<u>7,535,941</u>
TOTAL SUPPORT AND REVENUE		
EXPENSES		
Program		
Men's health awareness	1,090,260	941,897
Donated to Men's Health Partners	10,268,873	5,289,672
Administration	470,109	310,223
Fundraising	1,097,594	676,089
	<u>12,926,836</u>	<u>7,217,881</u>
TOTAL EXPENSES		
INCREASE IN UNRESTRICTED NET ASSETS	2,357,354	318,060
UNRESTRICTED NET ASSETS AT BEGINNING OF YEAR	<u>396,370</u>	<u>78,310</u>
UNRESTRICTED NET ASSETS AT END OF YEAR	<u>\$ 2,753,724</u>	<u>\$ 396,370</u>

See accompanying notes to financial statements

MOVEMBER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED APRIL 30, 2012

	<u>Program</u>		<u>Supporting Services</u>	
	<u>Funds Donated</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
Men's Health				
Awareness	\$ -	\$ -	\$ -	\$ 5,704,930
	-	-	-	4,563,943
	-	37,778	-	37,778
	130,907	-	1,812	132,719
	388,238	-	10,555	398,793
	21,683	192,544	192,544	406,771
	-	45,516	-	45,516
	277,687	6,576	574,589	858,852
	53,661	-	22,999	76,660
	4,104	4,785	-	8,889
	-	-	7,445	7,445
	-	65,891	-	65,891
	-	35,290	257	35,547
	213,980	76,312	287,393	577,685
	-	5,417	-	5,417
TOTAL EXPENSES	\$ 1,090,260	\$ 470,109	\$ 1,097,594	\$ 12,926,836

See accompanying notes to financial statements

MOVEMBER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED APRIL 30, 2011

	Program		Supporting Services		Total
	Men's Health Awareness	Funds Donated	Administration	Fundraising	
Donation to Prostate Cancer Foundation	\$ -	\$ 2,644,836	\$ -	\$ -	\$2,644,836
Donation to Livestrong Foundation	-	2,644,836	-	-	2,644,836
Administration	-	-	18,043	-	18,043
Marketing and promotion	153,905	-	-	862	154,767
Health education, awareness, and communication	309,826	-	-	7,937	317,763
Professional services	-	-	72,476	264,675	337,151
Information and technology	-	-	20,538	-	20,538
Salaries and related costs	241,615	-	68,571	123,595	433,781
Travel	36,040	-	-	15,447	51,487
Entertaining	11,554	-	-	-	11,554
Web	3,933	-	-	9,526	13,459
Rent and utilities	-	-	29,004	-	29,004
Other	-	-	9,293	-	9,293
Foreign exchange loss (see Note E)	-	-	23,149	-	23,149
Global services allocation	185,024	-	66,556	254,047	505,627
Depreciation	-	-	2,593	-	2,593
TOTAL EXPENSES	\$ 941,897	\$ 5,289,672	\$ 310,223	\$ 676,089	\$7,217,881

See accompanying notes to financial statements

MOVEMBER, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED APRIL 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	<u>\$ 2,357,354</u>	<u>\$ 318,060</u>
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	5,417	2,593
(Increase) decrease in assets:		
Prepaid expenses and other assets	(3,139)	(7,652)
Increase (decrease) in liabilities:		
Accounts payable	(605)	(5,462)
Accrued expenses	1,505	(12,321)
Payable to Men's Health Partners	6,301,619	2,963,502
Related party payable	<u>(319,041)</u>	<u>327,027</u>
Total adjustments	<u>5,985,756</u>	<u>3,267,687</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>8,343,110</u>	<u>3,585,747</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(12,465)</u>	<u>(4,795)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	8,330,645	3,580,952
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>4,884,355</u>	<u>1,303,403</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$13,215,000</u></u>	<u><u>\$ 4,884,355</u></u>

See accompanying notes to financial statements

MOVEMBER, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED APRIL 30, 2012 AND 2011

NOTE A - ORGANIZATION

Movember, Inc. (a California non-profit Corporation) (the Organization), with an office in Venice, 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 and to bring much needed awareness and funding to cancers that affect men, specifically prostate and testicular cancer. The Organization raises funds primarily from individual donors and provides donations to two Men's Health Partners, the Prostate Cancer Foundation (PCF), who receives 50% of the income to be donated, and LIVESTRONG, the Lance Armstrong Foundation (formerly the Lance Armstrong Foundation) (LAF), who receives 40% of the income to be donated. The remaining 10% of the net campaign income is retained internally for the Global Action Plan (GAP), a global program governed by the Global Scientific Committee and the Movember Board of Directors which will award funds to various researchers and institutions. The GAP is designated as Board Designated for Global Action Plan at April 30, 2012 in the accompanying statement of net assets. The Organization is an affiliate of the Australian based The Movember Group Pty Ltd (MGPL), Trustee of the Movember Foundation.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Support and Revenue

The Organization 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 Organization.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. As of April 30, 2012 and 2011, and for the years then ended, the Organization has not received any contributions with donor-imposed restrictions that would result in temporarily or permanently restricted net assets.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers cash on hand, cash in demand deposit accounts including money market funds, and instruments with a maturity date of 90 days or less at date of purchase to be cash and cash equivalents. The Organization maintains its cash and cash equivalent balances with one bank. Under the Federal Deposit Insurance Corporation's (FDIC) Temporary Liquidity Guarantee Program, bank deposits up to \$250,000 per depositor are covered by FDIC insurance through December 31, 2013. Under the Wall Street Reform and Consumer Protection Act, all non-interest-bearing transaction accounts are fully insured at all FDIC-insured institutions through December 31, 2012. At times, deposits may be in excess of the FDIC insurance limits; however, management does not believe the Foundation is exposed to any significant credit risk.

MOVEMBER, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED APRIL 30, 2012 AND 2011

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are stated at cost, or fair market value if the property is donated, less accumulated depreciation. Depreciation is accounted for on the declining balance or straight line method over the estimated useful lives of the assets as follows:

Computer equipment	2.5 years
Furniture and fixtures	2.5 years

Expenditures for maintenance and repairs are expensed in the period incurred. Expenditures for major items 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.

Donations and Donations Payable

Donations payable totaling \$10,268,873 and \$3,967,254 reflected in the statements of financial position at April 30, 2012 and 2011, respectively, consist of binding commitments awarded to PCF and LAF during the years ended April 30, 2012 and 2011, but not paid as of the end of each financial year (see Note J).

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.

Reclassifications

Certain reclassifications have been made to the prior year's financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported net assets or changes in net assets.

Income Taxes

The Organization 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 Organization's informational returns for the years ended April 30, 2009 and subsequent remain open for examination by the Internal Revenue Service. The returns for California, the Organization's only state jurisdiction, remain open for examination by California's tax authorities for the years ended April 30, 2008 and subsequent.

MOVEMBER, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED APRIL 30, 2012 AND 2011

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Management Estimates

Preparing the Organization'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.

NOTE C – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at April 30:

	<u>2012</u>	<u>2011</u>
Computer equipment	\$ 20,929	\$ 8,464
Furniture and fixtures	436	436
	21,365	8,900
Less accumulated depreciation	<u>(8,267)</u>	<u>(2,850)</u>
Total property and equipment, net	<u>\$ 13,098</u>	<u>\$ 6,050</u>

NOTE D – OPERATING LEASES

On February 23, 2010, the Organization signed a lease agreement for office space in Venice, California, commencing March 1, 2010 and expiring February 28, 2012. In October 2011 the lease was extended to February 22, 2013. Minimum monthly payments under the lease agreement were \$4,800 plus various common area charges and utilities through February 2012 and were then increased to \$5,092.

Rent expense was \$60,800 and \$57,600 for the years ended April 30, 2012 and 2011, respectively. Rent reimbursed from Movember Canada, a related entity, totaled approximately \$29,000 for the year ended April 30, 2011.

Future minimum lease payments of \$50,920 are required under the lease agreement for the year ending April 30, 2013.

MOVEMBER, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED APRIL 30, 2012 AND 2011

NOTE E – FOREIGN EXCHANGE

Included in the Organization's administration costs for the year ended April 30, 2011 is an exchange loss, which relates to expenses allocated and a loan from MGPL to cover the costs of running the 2010 campaign. The loan was made in July 2008 and was necessary since most of the costs are incurred before donations are received, which normally is during the month of November. The Organization repaid this loan in May 2010. MGPL continued to charge the Organization for its share of global expenses (Note F). 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. During the years ended April 30, 2012 and 2011, fluctuations in the value of the U.S. dollar caused a net foreign exchange loss of \$0 and \$23,149, respectively.

Exchange losses are not a cash expense to MGPL as any expense repayments are deposited to a U.S. currency account. They are not converted to Australian dollars and will be used for future funding of U.S. costs or converted to Australian currency when the exchange rate is favorable. As of April 30, 2012, the Organization's payable to MGPL for the intercompany allocations totaled \$528,857. As of April 30, 2011, the Organization's payable to MGPL for the intercompany allocations and the loan totaled \$503,962 (Note G).

NOTE F – GLOBAL SERVICES ALLOCATION

MGPL, together with local country affiliates (including the Organization), is a global operation with its head office based in Melbourne, Australia. In order to minimize costs in all countries in which the Organization operates, MGPL charges the Organization for its share of certain costs for central services. These services are conducted centrally 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 which includes program implementation and beneficiary partner management services. Management believes the charge from MGPL is significantly less than if the Organization 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. The head office does not charge interest or mark up costs. The global services allocation expense for the Organization was \$577,685 and \$505,627 for the years ended April 30, 2012 and 2011, respectively.

MOVEMBER, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED APRIL 30, 2012 AND 2011

NOTE G --RELATED PARTY TRANSACTIONS

The Organization performs accounting and other services for Movember Canada and charges them for these services. Expense reimbursements received or receivable from Movember Canada for accounting and other services provided during the year ended April 30, 2012 and 2011 totaled \$50,075 and \$356,896, respectively. Net related party receivables of \$34,107 and \$7,129 at April 30, 2012 and 2011, respectively, represent amounts due from Movember Canada for accounting and other services. Reimbursements received or receivable are netted against related operating expenses.

MGPL advanced funds to the Organization to pay for various start up and operating costs (Note E). The loan agreement was dated July 8, 2008 and was repaid by the Organization in May 2010. During the years ended April 30, 2012 and 2011, MGPL continued to charge the Organization its share of certain costs for services provided by MGPL's directors through the global services allocation (Note F). Furthermore, the Organization charged MGPL for certain expenses, primarily related to salaries, paid by the Organization but allocated to MGPL. Net related party payables of \$216,076 and \$503,962 at April 30, 2012 and 2011, respectively, represent amounts due to MGPL for the cross charges and the loan.

The following tables summarize the composition of the net related party payables at April 30, 2012 and 2011:

	April 30, 2012			
	MGPL	Canada	Other	Total
Receivable	\$ 312,781	\$ 42,756	\$ 4,177	\$ 359,714
Payable	(528,857)	(8,649)	-	(537,506)
Net receivable (payable)	\$ (216,076)	\$ 34,107	\$ 4,177	\$ (177,792)

	April 30, 2011			
	MGPL	Canada	Other	Total
Receivable	\$ -	\$ 7,129	\$ -	\$ 7,129
Payable	(503,962)	-	-	(503,962)
Net receivable (payable)	\$ (503,962)	\$ 7,129	\$ -	\$ (496,833)

MOVEMBER, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED APRIL 30, 2012 AND 2011

NOTE G –RELATED PARTY TRANSACTIONS (Continued)

MGPL retains the services of Urchin Associates, which is under the directorship of one of MGPL's directors, to develop the creative concept for the global campaign each year. Urchin's world-class creative, brand, and design services have been fundamental to the campaign concept.

NOTE H – ALLOCATION OF JOINT COSTS

During the years ended April 30, 2012 and 2011, the Organization conducted activities that included a campaign and special events and incurred joint costs of \$1,798,416 and \$1,142,704, respectively. Joint costs were allocated as follows.

	<u>2012</u>	<u>2011</u>
Men's Health Awareness	\$ 774,814	\$ 604,377
Administration	104,571	\$ 134,754
Fundraising	919,031	\$ 403,573
Total	<u>\$1,798,416</u>	<u>\$1,142,704</u>

NOTE I – RETIREMENT PLAN

The Organization maintains a 401(k) Profit Sharing 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 Organization contributed 100% on the first 9% of the participant's compensation which was deferred as an elective deferral through February 28, 2011. Effective March 1, 2011, the Organization ceased making matching contributions. The Organization's contributions to the plan were \$6,160 for the year ended April 30, 2011.

NOTE J – SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 10, 2012, the date the financial statements were available to be issued.

On May 29, 2012 and June 15, 2012, the Organization reduced its payable to beneficiary partners by paying \$2,852,465 to PCF and \$2,281,972 to LAF.