

Movember Foundation

Financial Statements
For the Years Ended
April 30, 2015 and 2014
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) (the Foundation) which comprise the statements of financial position as of April 30, 2015 and 2014, 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, 2015 and 2014, 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 7, 2015

Movember Foundation
Statements of Financial Position
April 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 12,892,419	\$ 11,071,725
Accounts and other receivables	476,641	1,000
Net related party receivable	71,704	183,435
Prepaid expenses	<u>63,521</u>	<u>55,058</u>
Total current assets	13,504,285	11,311,218
Property and equipment, net	65,746	91,766
Other Assets		
Deposits	<u>132,101</u>	<u>132,101</u>
Total assets	<u>\$ 13,702,132</u>	<u>\$ 11,535,085</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 17,965	\$ 57,635
Accrued expenses	120,488	93,548
Payable to Men's Health Partners	<u>3,706,854</u>	<u>7,618,420</u>
Total current liabilities	<u>3,845,307</u>	<u>7,769,603</u>
Net Assets		
Unrestricted		
Board designated for Men's Health Programs	5,952,239	395,364
Undesignated	<u>3,904,586</u>	<u>3,370,118</u>
Total net assets	<u>9,856,825</u>	<u>3,765,482</u>
Total liabilities and net assets	<u>\$ 13,702,132</u>	<u>\$ 11,535,085</u>

See accompanying notes to financial statements

Movember Foundation
Statements of Activities and Changes in Net Assets
For the Years Ended April 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Changes in Unrestricted Net Assets		
Support and revenue		
Fundraising contributions received	\$ 19,767,211	\$ 22,776,638
Program contributions	377,975	-
Gala party	5,058	11,615
Sales of goods	18,449	59,522
Interest and other income	<u>20,059</u>	<u>29,846</u>
Total support and revenue	20,188,752	22,877,621
Net assets released from restriction	<u>-</u>	<u>108,868</u>
Total support, revenue, and satisfaction of restriction	<u>20,188,752</u>	<u>22,986,489</u>
Expenses		
Program		
Men's health awareness	2,690,278	2,016,305
Donated to Men's Health Partners	8,002,234	16,990,028
Administration	1,058,310	858,434
Fundraising	<u>2,346,587</u>	<u>2,359,483</u>
Total expenses	<u>14,097,409</u>	<u>22,224,250</u>
Increase in unrestricted net assets	6,091,343	762,239
Unrestricted net assets at beginning of year	<u>3,765,482</u>	<u>3,003,243</u>
Unrestricted net assets at end of year	<u>\$ 9,856,825</u>	<u>\$ 3,765,482</u>
Changes in Temporarily Restricted Net Assets		
Contributions received	\$ -	\$ -
Net assets released from restriction	<u>-</u>	<u>(108,868)</u>
Net change in temporarily restricted net assets	-	(108,868)
Temporarily restricted net assets at beginning of year	<u>-</u>	<u>108,868</u>
Temporarily restricted net assets at end of year	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements

**Movember Foundation
Statement of Functional Expenses
For the Year Ended April 30, 2015**

	Program		Supporting Services		Total
	Men's Health Awareness	Funds Donated	Administration	Fundraising	
Donation to Prostate Cancer Foundation	\$ -	\$ 6,923,869	\$ -	\$ -	\$ 6,923,869
Donation to LIVESTRONG Foundation	-	600,000	-	-	600,000
Funding to other beneficiaries	-	478,365	-	-	478,365
Administration	-	-	21,054	-	21,054
Marketing and promotion	477,117	-	-	4,538	481,655
Health education, awareness, and communication	430,146	-	-	11,758	441,904
Professional services	46,175	-	38,448	346,272	430,895
Information and technology	8,140	-	95,776	-	103,916
Salaries and related costs	488,349	-	58,357	1,182,460	1,729,166
Travel	142,976	-	-	33,421	176,397
Entertainment	5,628	-	7,674	-	13,302
Web	18,671	-	-	-	18,671
Rent and utilities	-	-	354,274	-	354,274
Other	24,665	-	78,904	-	103,569
Foreign exchange gain (see Note 8)	(76,754)	-	(32,894)	(73,099)	(182,747)
Global services allocations	1,125,165	-	394,623	841,237	2,361,025
Depreciation	-	-	42,094	-	42,094
Total expenses	\$ 2,690,278	\$ 8,002,234	\$ 1,058,310	\$ 2,346,587	\$ 14,097,409

See accompanying notes to financial statements

**Movember Foundation
Statement of Functional Expenses
For the Year Ended April 30, 2014**

	Program		Supporting Services		Total
	Men's Health Awareness	Funds Donated	Administration	Fundraising	
Donation to Prostate Cancer Foundation	\$ -	\$ 10,157,893	\$ -	\$ -	\$ 10,157,893
Donation to LIVESTRONG Foundation	-	6,771,929	-	-	6,771,929
Funding to other beneficiaries	-	60,206	-	-	60,206
Administration	-	-	27,402	-	27,402
Marketing and promotion	252,802	-	-	4,519	257,321
Health education, awareness, and communication	665,242	-	-	15,270	680,512
Professional services	220	-	48,954	464,856	514,030
Information and technology	-	-	79,359	-	79,359
Salaries and related costs	253,510	-	92,378	1,094,418	1,440,306
Travel	71,013	-	-	30,434	101,447
Entertainment	6,250	-	9,781	-	16,031
Web	25,779	-	-	-	25,779
Rent and utilities	-	-	298,967	-	298,967
Other	-	-	81,482	-	81,482
Foreign exchange loss (see Note 8)	5,526	-	2,882	6,976	15,384
Global services allocation	735,963	-	190,575	743,010	1,669,548
Depreciation	-	-	26,654	-	26,654
Total expenses	\$ 2,016,305	\$ 16,990,028	\$ 858,434	\$ 2,359,483	\$ 22,224,250

See accompanying notes to financial statements

Movember Foundation
Statements of Cash Flows
For the Years Ended April 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Change in unrestricted net assets	\$ 6,091,343	\$ 762,239
Change in temporarily restricted net assets	<u>-</u>	<u>(108,868)</u>
Total change in net assets	<u>6,091,343</u>	<u>653,371</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	42,094	26,654
(Increase) decrease in assets:		
Accounts and other receivables	(475,641)	122,385
Related party receivable	111,731	(126,780)
Deposits	-	(122,501)
Prepaid expenses and other assets	(8,463)	(21,909)
Increase (decrease) in liabilities:		
Accounts payable	(39,670)	57,635
Accrued expenses	26,940	32,546
Payable to Men's Health Partners	<u>(3,911,566)</u>	<u>653,075</u>
Total adjustments	<u>(4,254,575)</u>	<u>621,105</u>
Net cash provided by operating activities	1,836,768	1,274,476
Cash flows from investing activities		
Purchases of property and equipment	<u>(16,074)</u>	<u>(100,578)</u>
Net increase in cash and cash equivalents	1,820,694	1,173,898
Cash and cash equivalents, beginning of year	<u>11,071,725</u>	<u>9,897,827</u>
Cash and cash equivalents, end of year	<u>\$ 12,892,419</u>	<u>\$ 11,071,725</u>

See accompanying notes to financial statements

Movember Foundation
Notes to Financial Statements
April 30, 2015 and 2014

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 four key areas: prostate cancer, testicular cancer, poor mental health, and physical inactivity. The Foundation raises funds primarily from individual donors and provides donations to select organizations that serve as the Foundation's Men's Health Partners: the Foundation (to fund internal programs), the Prostate Cancer Foundation (PCF), the Prevention Institute, and the LIVESTRONG Foundation (LSF). The Foundation is an affiliate of the Australian based The Movember Group Pty Ltd (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 True NTH initiative. GAP is an international collaborative research initiative, fast tracking a time to when no man will die from prostate or testicular cancer. There are five GAP projects currently underway, four of which address prostate cancer. True NTH is the Foundation's new global initiative under development 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. True NTH 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, 2015 or 2014.

Cash and Cash Equivalents

For purposes of the statement 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 one bank. Deposits of up to \$250,000 at FDIC-insured institutions are covered by FDIC insurance. Deposits

Movember Foundation
Notes to Financial Statements
April 30, 2015 and 2014

2. Summary of Significant Accounting Policies (Continued)

are 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 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 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.

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, 2012 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, 2011 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 7, 2015, the date the financial statements were available to be issued.

Movember Foundation
Notes to Financial Statements
April 30, 2015 and 2014

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>2015</u>	<u>2014</u>
Payable to Men's Health Partners	\$ 3,706,854	\$ 7,618,420
Reserved for Men's Health Programs	5,952,239	395,364
Reserved for future expenses and reserves	<u>3,233,326</u>	<u>3,057,941</u>
Total cash and cash equivalents	<u>\$ 12,892,419</u>	<u>\$ 11,071,725</u>

4. Receivable from Beneficiary

Included in accounts and other receivables at April 30, 2015 is \$458,864, which represents amounts due from LSF to the Foundation for setting up and administering the True NTH program.

5. Property and Equipment

Property and equipment consists of the following at April 30:

	<u>2015</u>	<u>2014</u>
Furniture and fixtures	\$ 46,383	\$ 44,983
Computer equipment	74,386	61,036
Leasehold improvements	<u>32,661</u>	<u>31,338</u>
Total property and equipment	153,430	137,357
Less accumulated depreciation	<u>(87,684)</u>	<u>(45,591)</u>
Total property and equipment, net	<u>\$ 65,746</u>	<u>\$ 91,766</u>

6. Distributions to Beneficiaries and Donations Payable

Included in the awards of \$10,157,893 to PCF for the year ended April 30, 2014 are GAP distributions of \$1,692,982. There were no GAP distributions during the year ended April 30, 2015.

All of the distributions to PCF, LSF, and the Prevention Institute are included under program expenses in the statements of activities and changes in net assets.

Donations payable totaling \$3,706,854 and \$7,618,420 reflected in the statements of financial position at April 30, 2015 and 2014, respectively, consist of binding commitments awarded to PCF and LSF during the years then ended but not paid as of the end of each financial year.

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 made a payment of \$161,444 toward this lease, which included a security deposit of \$132,101 plus first month rent of \$29,343. Under certain circumstances, \$60,000 of the security deposit may be refunded to the Foundation on an accelerated basis.

Movember Foundation
Notes to Financial Statements
April 30, 2015 and 2014

7. Operating Leases (Continued)

Rent expense was approximately \$341,000 and \$290,000 for the years ended April 30, 2015 and 2014, respectively. Rent reimbursed from MGPL, a related entity, totaled approximately \$72,000 and \$45,000 for the years ended April 30, 2015 and 2014, respectively.

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

2016	\$	369,924
2017		381,020
2018		392,452
2019		<u>132,100</u>
Total	\$	<u>1,275,496</u>

8. Foreign Exchange

Included in the Foundation's administration costs for the years ended April 30, 2015 and 2014 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. Because the Foundation settles intercompany transactions in the currency of the receiving entity, any foreign exchange gains or losses representing changes in exchange rates from the transaction date to the settlement date are borne by the Foundation.

During the years ended April 30, 2015 and 2014, fluctuations in the value of the U.S. dollar caused a net foreign exchange gain of \$182,747 and loss of \$15,384, 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. MGPL's and the Foundation's management 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 \$2,361,025 and \$1,669,548 for the years ended April 30, 2015 and 2014, respectively.

10. Related Party Transactions

The Foundation performs accounting and other services for Movember Canada and other related entities and charges them for these services. Expense reimbursements received or receivable from Movember Canada for accounting and other services provided during the years ended April 30, 2015 and 2014 totaled \$127,783 and \$130,258, respectively.

Movember Foundation
Notes to Financial Statements
April 30, 2015 and 2014

10. Related Party Transactions (Continued)

The Foundation purchases and pays for campaign and Mo Collection merchandise on behalf of Movember UK and other related entities. Those entities then reimburse the Foundation for their share of the products purchased. Expense reimbursements received or receivable from Movember UK for campaign and Mo Collection merchandise provided during the years ended April 30, 2015 and 2014 totaled \$104,527 and \$144,738, respectively.

Reimbursements received or receivable are netted against related operating expenses.

During the years ended April 30, 2015 and 2014, MGPL charged the Foundation its share of certain costs for services provided by MGPL's directors through the global services allocation (see Note 9). The Foundation charged MGPL and some of the other international entities for certain expenses, primarily related to salaries, paid by the Foundation but allocated to those entities.

The following tables summarize the composition of the net related party receivables and payables at April 30, 2015 and 2014:

	April 30, 2015			
	MGPL	Canada	UK	Total
Receivable	\$ -	\$ 132,805	\$ 136,179	\$ 268,984
Payable	(197,280)	-	-	(197,280)
Net receivable	<u>\$ (197,280)</u>	<u>\$ 132,805</u>	<u>\$ 136,179</u>	<u>\$ 71,704</u>
	April 30, 2014			
	MGPL	Canada	UK	Total
Receivable	\$ 173,260	\$ 5,023	\$ 5,152	\$ 183,435
Payable	-	-	-	-
Net receivable	<u>\$ 173,260</u>	<u>\$ 5,023</u>	<u>\$ 5,152</u>	<u>\$ 183,435</u>

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.

Movember Foundation
Notes to Financial Statements
April 30, 2015 and 2014

11. Allocation of Joint Costs

During the years ended April 30, 2015 and 2014, the Foundation conducted activities that included a campaign and special events and incurred joint costs of \$3,816,878 and \$3,371,131, respectively. Joint costs were allocated as follows.

	<u>2015</u>	<u>2014</u>
Men's Health Awareness	\$ 1,401,215	\$ 1,221,735
Administration	415,893	254,549
Fundraising	<u>1,999,770</u>	<u>1,894,847</u>
Total	<u>\$ 3,816,878</u>	<u>\$ 3,371,131</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.