

**THE LIVESTRONG
FOUNDATION**

**Financial Statements
as of and for the Years Ended
December 31, 2016 and 2015 and
Independent Auditors' Report**



THE LIVESTRONG FOUNDATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The **LIVESTRONG** Foundation:

We have audited the accompanying financial statements of The **LIVESTRONG** Foundation (a nonprofit organization) (the "Foundation"), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities 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.

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 audit to obtain reasonable assurance about whether the financial statements are free from 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 misstatements 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.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

"A Registered Investment Advisor"

This firm is not a CPA firm

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 the Foundation as of December 31, 2016 and 2015, 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental schedules of program services expenses and schedule of grant history are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Maxwell Locke + Ritter LLP

Austin, Texas
September 28, 2017

THE LIVESTRONG FOUNDATION

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2016 AND 2015

	2016	2015
ASSETS		
Cash and cash equivalents	\$ 6,791,085	\$ 7,718,095
Accounts receivable	229,332	616,419
Promises to give, net	1,081,596	1,485,638
Grants receivable	3,975	630
Prepaid expenses and other assets	148,429	224,253
Inventory	1,537,818	2,144,195
Investments	43,573,261	52,823,141
Property and equipment, net	9,996,147	10,683,027
Intangibles	1,083,886	1,083,886
TOTAL ASSETS	\$ 64,445,529	\$ 76,779,284
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 1,556,864	\$ 549,055
Deferred revenue	43,157	62,069
Grants payable, net	-	227,146
Total liabilities	1,600,021	838,270
NET ASSETS:		
Unrestricted:		
Undesignated	30,936,076	39,498,868
Board-designated	11,157,406	11,157,406
Total unrestricted	42,093,482	50,656,274
Temporarily restricted	8,434,274	12,947,462
Permanently restricted	12,317,752	12,337,278
Total net assets	62,845,508	75,941,014
TOTAL LIABILITIES AND NET ASSETS	\$ 64,445,529	\$ 76,779,284

See notes to financial statements.

THE LIVESTRONG FOUNDATION

STATEMENTS OF ACTIVITIES YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
UNRESTRICTED NET ASSETS:		
Revenues:		
Contributions	\$ 4,271,833	\$ 4,638,405
Investment (loss) return, net	1,846,936	(634,322)
Royalties and licensing fees	57,214	51,584
Special event revenues	653,523	774,716
Cost of direct benefits to donors	(232,219)	(169,944)
Program merchandise and services	88,987	417,036
Program merchandise and services - promotional cost	(27,261)	(227,732)
Grant revenue	231,132	37,500
Other	188,604	-
Total revenues, net	7,078,749	4,887,243
Net assets released from restrictions	5,340,041	3,623,718
Total revenues, net and net assets released from restrictions	12,418,790	8,510,961
Expenses:		
Program services	17,243,068	16,408,822
Fundraising	3,077,292	3,054,203
Management and general	661,222	925,269
Total expenses	20,981,582	20,388,294
Change in unrestricted net assets	(8,562,792)	(11,877,333)
TEMPORARILY RESTRICTED NET ASSETS:		
Contributions	292,454	574,003
Net assets released from restrictions	(4,805,642)	(3,088,077)
Change in temporarily restricted net assets	(4,513,188)	(2,514,074)
PERMANENTLY RESTRICTED NET ASSETS:		
Contributions	223,117	170,431
Investment income (loss), net	291,756	(172,025)
Net assets released from restrictions	(534,399)	(535,641)
Change in permanently restricted net assets	(19,526)	(537,235)
CHANGE IN NET ASSETS	(13,095,506)	(14,928,642)
NET ASSETS, beginning of year	75,941,014	90,869,656
NET ASSETS, end of year	\$ 62,845,508	\$ 75,941,014

See notes to financial statements.

THE LIVESTRONG FOUNDATION

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (13,095,506)	\$ (14,928,642)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Change in allowance for uncollectible promises to give and discount on long term promises to give	286,742	250,824
Depreciation	729,131	843,947
Loss from sale of property and equipment	-	9,615
Net unrealized loss on investments	404,809	3,622,943
Net realized gain on investments	(2,216,505)	(2,104,745)
Contributions restricted for long-term investment	(223,117)	(170,431)
Investment income restricted for long-term investment	(291,756)	172,025
Change in assets and liabilities that provided (used) cash:		
Accounts receivable	387,087	(69,602)
Promises to give	117,300	362,509
Grants receivable	(3,345)	91,025
Prepaid expenses and other assets	75,824	511,081
Inventory	606,377	451,751
Accounts payable and accrued expenses	1,007,809	(368,962)
Deferred revenue	(18,912)	(165,672)
Grants payable	(227,146)	1,324
Net cash used in operating activities	(12,461,208)	(11,491,010)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(384,112)	(710,319)
Purchases of property and equipment	(42,251)	(162,007)
Refund from intangibles filed	-	37,000
Proceeds from sale of investment securities	11,445,688	312,570
Net cash provided by (used in) investing activities	11,019,325	(522,756)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted for long-term investment	223,117	170,431
Investment income restricted for long term investment	291,756	(172,025)
Net cash provided by (used in) financing activities	514,873	(1,594)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(927,010)	(12,015,360)
CASH AND CASH EQUIVALENTS, beginning of year	7,718,095	19,733,455
CASH AND CASH EQUIVALENTS, end of year	\$ 6,791,085	\$ 7,718,095

See notes to financial statements.

THE LIVESTRONG FOUNDATION

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2016 AND 2015

1. ORGANIZATION

The LIVESTRONG Foundation (the “Foundation”) is a national not-for-profit organization dedicated to improving the lives of people affected by cancer from the point of diagnosis through the entire cancer journey. Since 1997, the Foundation has been a voice for cancer survivors and has directly served more than 3.5 million people. A pioneer in the field of cancer survivorship, the Foundation remains a world leader in providing direct services to cancer patients and survivors, advocating for policies that enhance survivors’ quality of life, and developing partnerships that create access to cancer programs across the country.

The Foundation is focused in three primary areas: serving individuals, building and engaging communities of survivors, and leading health system change.

- *Serving Individuals:* We serve individuals affected by cancer through our Cancer Navigation Services, our unique model of one-on-one cancer support to address the physical, emotional, and practical needs of patients and their loved ones. These services help ensure that each patient understands treatment options, gets needed insurance assistance, managing medical expenses, fertility preservation, access to emotional support, and clinical trial education and enrollment. LIVESTRONG Cancer Navigation Services are bilingual (English/Spanish) and serve people across the United States regardless of age, income-level, gender, location, or cancer type. In addition, the Foundation provides support and resources online at LIVESTRONG.org/WeCanHelp and through tools and products as well as print resources like the LIVESTRONG Guidebook and Living after Cancer Treatment brochures.
- *Building Communities:* We engage and support local communities across the U.S. through programs such as LIVESTRONG at the YMCA, a free 12 week comprehensive physical activity and wellness program in partnership with YMCA of the USA; LIVESTRONG at School, a free downloadable program for school professionals for grades K-12 to educate students about the effects of cancer in their community; the LIVESTRONG Leader Program, a volunteer program with over 100 advocates nationally and globally focused on raising awareness, advocacy and fundraising; *The Big C*, a global competition to generate innovations and products to help improve the quality of life for people affected by cancer; and the Community Impact Project, which replicates high impact cancer survivorship programs in communities across the U.S.
- *Driving Systems Change:* We drive widespread impact on cancer care and the cancer experience by improving overall systems through research, advocacy and policy change. These efforts include initiatives like our patient-centered care and survivorship research; the Patient-Centered Cancer Care Symposium; the LIVESTRONG Cancer Institutes, an enterprise that puts patients at the center of redesigning delivery of cancer care; and our advocacy efforts which aim to increase funding for cancer research and programs nationally, raise awareness of cancer survivors’ needs and improve access to patient-centered services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The financial statements are presented in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) as defined by the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”).

Classification of Net Assets - Net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted - Net assets that are not restricted by donor-imposed stipulations. Expenses are reported as decreases in unrestricted net assets.

Temporarily restricted - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are released to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently restricted - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. These net assets are not available for use in operations and limitations neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation except for total return, as defined by each respective endowment agreement, earned which may be used as general operating funds at the discretion of the Board of Directors.

Use of Estimates - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents - The Foundation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable - Accounts receivable are recorded at the value of the revenue earned. Delinquent account receivable invoices do not accrue interest. The Foundation continually monitors each customer’s credit worthiness individually and recognizes allowances for estimated bad debts on customer accounts that are no longer estimated to be collectible. The Foundation regularly adjusts any allowance for subsequent collections and final determination that an account receivable is no longer collectible. The Foundation had no allowance for uncollectible receivables at December 31, 2016 and 2015, as management deemed all outstanding balances to be collectible.

Pledges Receivable - Unconditional promises to give are recorded at fair value if expected to be collected in one year and at net present value if expected to be collected in more than one year. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Receivables from contributions are recorded as revenue when the pledge is received and an allowance is recorded for amounts estimated to be uncollectible based upon prior history.

Fair Value Measurements - Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

Level 1 - Inputs based on quoted prices in active markets for identical assets or liabilities.

An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - Observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

Level 3 - Unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value: 1) market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities, 2) cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost), and 3) income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Inventory - Inventory consists of program merchandise which includes finished goods and is stated at lower of cost or net realizable value. Cost is determined using the first-in, first-out method. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Management reviews inventory for slow-moving items and records a specific reserve as necessary.

Investments - Investments are stated at fair value. Investment transactions in marketable securities are recorded on the trade date and investment income is recorded when earned. Realized gains and losses are recorded as the difference between historical cost and fair value, and are shown on a net basis. Unrealized gains and losses are recorded for the change in fair value of investments between reporting periods.

Concentrations - Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents, investments and receivables. The Foundation places its cash and cash equivalents with a limited number of high quality financial institutions and may exceed the amount of insurance provided on such deposits. Management believes no significant risk exists with respect to cash and cash equivalents. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the near-term could materially affect the amounts reported in the statements of financial position. Management does not believe a significant concentration of risk exists.

The Foundation does not maintain collateral for its receivables and does not believe significant risks exist at December 31, 2016 and 2015. Receivables consist of accounts receivable, promises to give and grants receivable. At December 31, 2016 and 2015, balances due from three donors represented 75% and 63% of the total receivables balance, respectively.

Property and Equipment - Property and equipment acquisitions are capitalized at cost if purchased and at fair value at the date of receipt if donated. The Foundation capitalizes all acquisitions of property and equipment in excess of \$1,000 and a useful life of more than one year. Depreciation expense is calculated using the straight-line method with the following estimated useful lives:

Building	30 years
Furniture, fixtures and equipment	3-7 years

Intangibles - Intangibles consist of trademarks and licenses purchased which have an indefinite useful life. The Foundation purchased the rights to the trademark name Live Long...Live Strong™, the rights to the .livestrong domain, the permit rights for a downtown marathon relay event in Austin, Texas, and a domain application.

Impairment of Long-Lived Assets - Long-lived assets subject to depreciation and amortization are reviewed for impairment whenever events or changes in circumstances indicate that the amount recorded may not be recoverable. Indefinite-lived intangible assets are evaluated for impairment at the reporting unit level annually on December 31 and between annual tests in certain circumstances. An impairment loss is recognized by the amount in which the carrying amount of the asset exceeds fair value, if the carrying amount of the asset is not recoverable. The Foundation did not recognize an impairment loss during the years ended December 31, 2016 and 2015.

Deferred Revenue - Deferred revenue consists of cash that has been received for future events and will be recognized once the event has taken place.

Board-Designated Net Assets - The Foundation has board designated net assets of \$2,000,000 set aside as an operating reserve and \$9,157,406 of board designated endowment net assets. These ensure that adequate operating reserves are available and cannot be spent without prior board approval.

Contributions - Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets or if they are designated as support for future periods. When a donor restriction expires, assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support. Permanently restricted net assets are maintained by the Foundation in perpetuity.

The Foundation reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Shipping and Handling - The Foundation imparts shipping and handling charges on merchandise sold on its website. The rate is progressive with respect to the dollar value of an order. At month end, the amount received for shipping and handling is netted against the amount paid for shipping and handling and any difference is recorded as promotional cost.

Donated Services - A substantial number of volunteers have donated approximately 37,159 and 26,240 hours to the Foundation's program services and fundraising campaigns during the years ended December 31, 2016 and 2015, respectively. These donated services are not reflected in the financial statements since the services do not require specialized skills.

Grant Revenue - Revenue from grants received from federal and state governments is earned based on the Foundation incurring allowable costs or providing services. Therefore, revenue is recognized as those costs are incurred or the services are provided.

Functional Expenses - The expense information contained in the statements of activities is presented on a functional basis. Accordingly, certain expenses are allocated between functional categories.

Advertising Costs - Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2016 and 2015 was \$1,431,312 and \$961,769, respectively.

Income Taxes - The Foundation is a nonprofit organization that is tax-exempt under Section 501(c)(3) of the Internal Revenue Code; except as it relates to any unrelated business income. The Foundation did not incur any significant tax liabilities due to unrelated business income during the years ended December 31, 2016 and 2015. The Foundation files Form 990 tax returns in the U.S. federal jurisdiction, and is subject to routine examinations of its tax returns; however, there are no examinations currently in process.

Recently Issued Accounting Pronouncements (For Informational Purposes Only) - In May 2014 and August 2015, the FASB issued Accounting Standards Updates ("ASU") No. 2014-09 and No. 2015-14, *Revenue from Contracts with Customers*, which supersede the revenue recognition requirements in ASC 605, *Revenue Recognition*, and most industry-specific guidance included in the ASC. The standard requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The standard is effective retrospectively for fiscal years beginning after December 15, 2018 and early adoption is permitted. The Foundation is currently evaluating the impact the new standard will have on its financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires the recognition of lease assets and lease liabilities by lessees for all leases, including leases previously classified as operating leases, and modifies the classification criteria and accounting for sales type and direct financing leases by lessors. Leases continue to be classified as finance or operating leases by lessees and both classifications require the recognition of a right-of-use asset and a lease liability, initially measured at the present value of the lease payments in the statement of financial position. Interest on the lease liability and amortization of the right-of-use asset are recognized separately in the statement of activities for finance leases and as a single lease cost recognized on the straight-line basis over the lease term for operating leases. The standard is effective using a modified retrospective approach for fiscal years beginning after December 15, 2019 and early adoption is permitted. The Foundation is currently evaluating the impact the standard will have on its financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which requires presentation on the face of the statements of financial position amounts for two classes of net assets at the end of the period, net assets with donor restrictions and net assets without donor restrictions, rather than the currently required three classes. The standard also requires the presentation on the face of the statements of activities the amount of the change in each of these two classes of net assets. The standard will no longer require the presentation or disclosure of the indirect method of reporting cash flows if an entity elects to use the direct method, however it will be required for an entity to provide enhanced disclosures about liquidity in the footnotes to the financial statements. The standard is effective for fiscal years beginning after December 15, 2017 and early adoption is permitted. The Foundation is currently evaluating the impact the standard will have on its financial statements.

3. INVESTMENTS

Investments consisted of the following at December 31, 2016:

	Fair Value	Fair Value Measurements Using:		
		Level 1	Level 2	Level 3
Common stocks and mutual funds:				
TIFF Multi-Asset Fund	\$ 41,630,637	41,630,637	-	-
TIFF Short-Term Fund	1,065,394	-	1,065,394	-
Total common stocks and mutual funds	42,696,031	41,630,637	1,065,394	-
Limited Partnership- TPEP 2005	877,230	-	-	877,230
	<u>\$ 43,573,261</u>	<u>41,630,637</u>	<u>1,065,394</u>	<u>877,230</u>

TIFF Multi-Asset Fund includes common stocks and mutual funds valued at the closing price reported on the active market on which the individual securities are traded and are classified within Level 1 of the fair value hierarchy. TIFF Short-Term Fund primarily holds underlying securities in U.S. treasury bills and is classified within Level 2 of the fair value hierarchy. The limited partnership investment consists of an investment in TIFF Private Equity Partners (“TPEP”) 2005, a limited liability company, which is accounted for under the equity method of accounting. The Foundation has accounted for their investment in TPEP 2005 under the equity method by recording their respective share of earnings or loss. Pending actual disbursement for budgeted program expenditures, funds are invested in securities designed to maximize resources available for programs while minimizing risk. These investments are managed by third party investment managers under Board of Director approved investment policies. Total earnings on unrestricted and temporarily restricted investments are credited to unrestricted net assets unless otherwise restricted by the donor.

Investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

Balance, December 31, 2015	\$ 1,087,946
Total distributions	(251,186)
Total fees/expenses	(11,244)
Net realized and unrealized gains	51,714
Balance, December 31, 2016	<u>\$ 877,230</u>

Investments consisted of the following at December 31, 2015:

	Fair Value	Fair Value Measurements Using:		
		Level 1	Level 2	Level 3
Common stocks and mutual funds:				
TIFF Multi-Asset Fund	\$ 47,775,028	47,775,028	-	-
TIFF Short-Term Fund	3,960,167	-	3,960,167	-
Total common stocks and mutual funds	51,735,195	47,775,028	3,960,167	-
Limited Partnership-TPEP 2005	1,087,946	-	-	1,087,946
	<u>\$ 52,823,141</u>	<u>47,775,028</u>	<u>3,960,167</u>	<u>1,087,946</u>

Investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

Balance, December 31, 2014	\$ 1,363,922
New investment contributions	14,000
Total distributions	(300,746)
Total fees/expenses	(10,980)
Net realized and unrealized gains	21,750
Balance, December 31, 2015	<u>\$ 1,087,946</u>

Investment return (loss) consisted of the following for the years ended December 31:

	2016	2015
Capital gain distributions	\$ 2,268,999	\$ 2,115,727
Net unrealized losses	(404,809)	(3,622,943)
Dividends	324,425	661,601
Investment fees	(52,494)	(10,982)
Interest	2,571	50,250
	<u>\$ 2,138,692</u>	<u>\$ (806,347)</u>

The Foundation has agreed and committed to provide capital contributions of up to \$2,000,000 in TPEP 2005, an investment fund organized as a limited liability company by The Investment Fund for Foundations and TIFF Advisory Services, Inc. The capital of TPEP 2005 is expected to be allocated primarily among private equity managers pursuing venture, operations-oriented buy-out, and special situation and recapitalization strategies. As of December 31, 2016 and 2015, the Foundation had a remaining commitment to TPEP 2005 of \$166,000. The initial investment period was a 12-year term expiring December 31, 2017, subject to extension for up to five consecutive one-year periods.

4. PROMISES TO GIVE

Unconditional promises to give were as follows at December 31:

	<u>2016</u>	<u>2015</u>
Contributions due in less than one year	\$ 1,412,360	\$ 1,209,627
Contributions due in one to five years	480,655	750,834
Contributions due in more than five years	<u>98,602</u>	<u>148,456</u>
	1,991,617	2,108,917
Less allowance for uncollectible promises	(872,901)	(561,283)
Less discount to net present value	<u>(37,120)</u>	<u>(61,996)</u>
	<u>\$ 1,081,596</u>	<u>\$ 1,485,638</u>

Promises to give are valued based upon net present value where a stream of expected cash flows is discounted at an appropriate market interest rate. The discount rate used on long-term promises to give was 3% at December 31, 2016 and 2015.

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2016</u>	<u>2015</u>
Building	\$ 9,203,129	\$ 9,203,129
Furniture, fixtures and equipment	<u>2,438,706</u>	<u>3,513,937</u>
	11,641,835	12,717,066
Less accumulated depreciation	<u>(3,684,899)</u>	<u>(4,073,250)</u>
	7,956,936	8,643,816
Land	<u>2,039,211</u>	<u>2,039,211</u>
Property and equipment, net	<u>\$ 9,996,147</u>	<u>\$ 10,683,027</u>

6. GRANTS PAYABLE

During the years ended December 31, 2016 and 2015, the Foundation made grants to fund cancer research, support long term survivor clinics, and fund various community grants and sponsorships. The Schedule of Grant History reflects the grants awarded as unconditional promises to give. Grants payable in less than one year were \$0 and \$227,146 at December 31, 2016 and 2015, respectively.

Conditional grants payable are not recorded as grants payable in the statements of financial position until the condition has been met. The Foundation has an aggregate of \$49,957,058 in conditional grants payable to others over 10 years as of December 31, 2016. Included in this amount is the remaining unpaid balance of a \$50 million pledge agreement with The University of Texas at Austin (“UT”) and the Dell Medical School to create The LIVESTRONG Cancer Institutes. The purpose of the Institutes will be the creation of a comprehensive, patient-centered cancer program with a special focus on the needs of the underserved population with programs designed to reach the citizens of Central Texas and beyond. The pledge is to be paid over 10 years, conditioned upon satisfactory achievement of agreed upon metrics and milestones. The Foundation paid \$2,525,000 and \$500,000 to UT during the years ended December 31, 2016 and 2015, respectively.

7. LEASE COMMITMENTS AND CONTINGENCIES

The Foundation leases equipment under non-cancelable operating leases. Rental expenses for miscellaneous equipment for the years ended December 31, 2016 and 2015 were \$41,549 and \$44,326, respectively. Minimum future rentals are as follows:

2017	\$	27,395
2018		23,615
2019		22,355
2020		18,629
	\$	<u>91,994</u>

The Foundation is exposed to unasserted potential claims in the normal course of business. In the opinion of management, the resolution of these matters will not have a material adverse effect on the Foundation’s financial position or results of operations.

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes at December 31:

	<u>2016</u>	<u>2015</u>
ASAP Research Collaborative	\$ 5,354,327	\$ 11,444,063
Men’s Health Initiatives	1,975,242	389,520
Time Restrictions	604,640	842,871
Programs and Partnerships	500,065	261,400
Young Adult Services	-	9,608
	<u>\$ 8,434,274</u>	<u>\$ 12,947,462</u>

9. PERMANENTLY RESTRICTED NET ASSETS

The Foundation has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (“TUPMIFA”) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Permanently restricted net assets are classified at the original value of gifts donated to the permanent endowment, plus the original value of subsequent gifts to the permanent endowment.

Permanently restricted net assets result from contributions whose use by the Foundation is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Foundation. Income and net appreciation may be expended in accordance with the spending policy established by the Foundation absent of any donor stipulations. The pro-rata share of investment income and related fund expenses are restricted for each named endowment fund.

The endowment funds at the Foundation are for the general purposes of the Foundation and may provide support for a specific educational program, assist a specific national advocacy program fund a particular type of grant or purpose mutually agreed upon with the donor.

The corpus (principal) of donor restricted funds may never be spent. However, income and net appreciation may be expended in accordance with the spending policy described below. It is the policy of the endowment to comply with both federal and state law in complying with the specific time or use restrictions as stipulated by the individual donor. As such, the disclosure of the net asset classification of donor-restricted endowment funds is highlighted in this footnote.

The investment policy for endowment funds outlines the organization’s return objectives, risk parameters, and spending policies as summarized below:

- Return objectives - The return objective for endowment funds is to preserve and enhance the purchasing power of endowment assets, net of costs and board-approved withdrawals, over rolling five-year periods. This goal is synonymous with the pursuit of a time-weighted net return on endowment assets that equals inflation plus the long-term spending rate.
- Risk parameters - The endowment’s risk parameters are measured by its policy portfolio and allowable asset mix detailed in board approved investment guidelines. These guidelines provide specific target allocations and ranges. The policy portfolio represents the highest expected return asset mix that is likely to satisfy the return objectives. Because the policy portfolio entails benchmarks for each of its segments and hence also for the endowment as a whole, it constitutes an appropriate standard by which to measure progress toward achievement of these objectives. The policy portfolio further imposes an illiquid asset ceiling of 25%.
- Spending policy - The spending policy for endowment funds specifies a spending rate of 4% of the rolling five-year moving average of the monthly portfolio market value. This amount is determined at the end of December each year and is available for spending in the next fiscal year.

Permanently restricted net assets were as follows at December 31:

	<u>2016</u>	<u>2015</u>
Individual named funds (76 and 72 individual funds at December 31, 2016 and 2015, respectively)	\$ 12,038,624	\$ 12,062,508
Unnamed funds	<u>279,128</u>	<u>274,770</u>
	<u>\$ 12,317,752</u>	<u>\$ 12,337,278</u>

Endowment net asset composition by type of fund was as follows at December 31, 2016:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	12,317,752	12,317,752
Unrestricted earnings on donor-restricted endowment funds	17,704,769	-	17,704,769
Board-designated endowment funds	<u>9,157,406</u>	<u>-</u>	<u>9,157,406</u>
Total funds	<u>\$ 26,862,175</u>	<u>12,317,752</u>	<u>39,179,927</u>

The changes in endowment net assets for the year ended December 31, 2016 were as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 27,013,833	12,337,278	39,351,111
Investment gains	969,009	442,592	1,411,601
Contributions	-	223,117	223,117
Appropriation of endowment assets for expenditure and other adjustments	<u>(1,120,667)</u>	<u>(685,235)</u>	<u>(1,805,902)</u>
Endowment net assets, end of year	<u>\$ 26,862,175</u>	<u>12,317,752</u>	<u>39,179,927</u>

Endowment net asset composition by type of fund was as follows at December 31, 2015:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	12,337,278	12,337,278
Unrestricted earnings on donor-restricted endowment funds	17,856,427	-	17,856,427
Board-designated endowment funds	<u>9,157,406</u>	<u>-</u>	<u>9,157,406</u>
Total funds	<u>\$ 27,013,833</u>	<u>12,337,278</u>	<u>39,351,111</u>

The changes in endowment net assets for the year ended December 31, 2015 were as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 28,506,653	12,874,513	41,381,166
Investment losses	(341,429)	(194,681)	(536,110)
Contributions	-	170,431	170,431
Appropriation of endowment assets for expenditure and other adjustments	<u>(1,151,391)</u>	<u>(512,985)</u>	<u>(1,664,376)</u>
Endowment net assets, end of year	<u>\$ 27,013,833</u>	<u>12,337,278</u>	<u>39,351,111</u>

10. RETIREMENT PLAN

The Foundation has a contributory matching retirement plan for all employees under section 401(k) of the Internal Revenue Code. Contributions of the eligible participants' elective deferral up to a maximum 4% are funded by the Foundation. Employees are fully vested in all contributions made on their behalf by the Foundation. The contributions charged to operations were \$94,759 and \$147,874 during the years ended December 31, 2016 and 2015, respectively.

11. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2016 and 2015, the Foundation received contributions of \$145,490 and \$31,095, respectively, from board members. As of December 31, 2016 and 2015, the Foundation did not have any promises to give due from board members.

12. FEDERAL AND STATE GRANTS

The Cancer Prevention & Research Institute of Texas ("CPRIT") awarded the Foundation a grant for the September 2013 to August 2016 term in support of health care provider education. The grant is based upon allowable expenses paid. In 2016, the Foundation was granted a 12-month extension to August 2017 to incur allowable program expenses as reimbursable under the award.

During the years ended December 31, 2016 and 2015, the Foundation incurred reimbursable expenditures of \$21,475 and \$37,502, respectively.

These grants are subject to review and audit by the grantor agencies. These grants have certain compliance requirements and, should audits by the grantor agencies disclose any areas of substantial noncompliance, the Foundation may be required to refund any disallowed costs. Management is of the opinion that the Foundation is in compliance with these grantor requirements.

13. FUNCTIONAL EXPENSES

Functional expenses for the year ended December 31, 2016 consisted of the following:

	<u>Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Grants and Awards	\$ 5,270,161	-	-	5,270,161
Salaries, Wages and Benefits	2,636,753	951,733	252,290	3,840,777
Legal and Professional	3,191,565	181,619	28,104	3,401,288
Advertising	1,088,677	271,558	71,077	1,431,312
Contract Services Expenses	1,120,283	49,575	19,419	1,189,277
Public Awareness	669,269	357,179	27,475	1,053,923
Technology	629,605	237,142	57,357	924,104
Depreciation	531,091	169,770	28,270	729,131
Guidebook and Merchandise				
Giveaway	444,810	55,122	21,000	520,932
Professional Fundraising Fees	206,610	93,033	34,832	334,475
Bad Debt and Taxes	151,060	160,409	20,082	334,051
Travel	255,716	67,673	10,198	333,587
Printing and Publications	139,013	99,728	11,269	250,010
Other Rent	147,567	66,144	17,301	231,012
Payroll Taxes	160,128	56,551	14,252	230,931
Postage and Supplies	101,791	56,088	6,101	163,980
Occupancy Costs	99,677	40,906	6,024	146,607
Retirement Plan Contributions	67,301	22,081	5,377	94,759
Insurance	55,205	21,629	5,107	81,941
Bank Service Fees	40,646	18,990	4,103	63,739
Telephone	21,165	6,298	1,321	28,784
Permits	12,008	4,320	1,647	17,975
Entertainment	550	-	-	550
Other	202,417	89,743	18,616	310,776
	<u>\$ 17,243,068</u>	<u>3,077,292</u>	<u>661,222</u>	<u>20,981,582</u>

Functional expenses for the year ended December 31, 2015 consisted of the following:

	Program Services	Fundraising	Management and General	Total
Grants and Awards	\$ 3,109,862	-	-	3,109,862
Salaries, Wages and Benefits	5,002,940	1,282,148	519,492	6,804,580
Legal and Professional	2,614,800	254,640	51,908	2,921,348
Contract Services Expenses	147,889	49,441	17,555	214,885
Advertising	751,587	151,229	58,953	961,769
Public Awareness	922,127	-	-	922,127
Technology	1,282,732	341,417	85,048	1,709,197
Depreciation	640,863	174,565	28,519	843,947
Guidebook and Merchandise				
Giveaway	220,584	9,188	2,376	232,148
Professional Fundraising Fees	137,315	60,990	24,596	222,901
Bad Debt and Taxes	149,467	213,788	20,122	383,377
Travel	204,632	67,604	8,214	280,450
Printing and Publications	86,064	49,146	7,831	143,041
Other Rent	192,363	70,487	23,451	286,301
Payroll Taxes	290,833	74,536	25,976	391,345
Postage and Supplies	102,264	46,992	8,163	157,419
Occupancy Costs	80,907	33,088	4,882	118,877
Retirement Plan Contributions	117,450	24,917	5,507	147,874
Insurance	76,900	31,737	6,306	114,943
Bank Service Fees	31,537	21,084	4,182	56,803
Telephone	45,744	9,544	2,342	57,630
Permits	10,443	2,971	962	14,376
Entertainment	444	120	31	595
Other	189,075	84,571	18,853	292,499
	<u>\$ 16,408,822</u>	<u>3,054,203</u>	<u>925,269</u>	<u>20,388,294</u>

14. SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through September 28, 2017 (the date the financial statements were available to be issued), and no events have occurred from the statement of financial position date through that date that would impact the financial statements.

SUPPLEMENTAL INFORMATION

THE LIVESTRONG FOUNDATION

SCHEDULE OF PROGRAM SERVICES EXPENSES YEAR ENDED DECEMBER 31, 2016

	System Change	Community Programs	Navigation	Educational Resources	Advocacy and Government Relations	Grants and Research	Mission Awareness	Total Program Services
Grants and Awards	\$ 2,525,000	168,541	-	-	-	2,576,174	446	5,270,161
Legal and professional	133,556	45,624	2,219,931	14,100	128,309	601,748	48,297	3,191,565
Salaries, Wages and Benefits	667,327	80,668	363,837	47,529	433,447	830,401	213,544	2,636,753
Contract Services Expenses	30,906	3,214	24,978	20,661	9,142	1,016,737	14,645	1,120,283
Advertising	229,986	42,416	187,842	24,162	57,117	342,521	204,633	1,088,677
Public Awareness Campaign	40,667	4,033	32,867	4,293	10,143	60,864	516,402	669,269
Technology	155,254	15,394	125,733	16,391	38,721	232,357	45,755	629,605
Depreciation	103,400	10,253	195,508	10,917	25,788	154,752	30,473	531,091
Notebook and merchandise giveaway	41,079	4,394	34,700	222,087	11,155	61,481	69,914	444,810
Travel	19,574	10,619	19,263	2,063	153,050	45,455	5,692	255,716
Professional fundraising fees	48,502	4,809	39,199	5,121	22,096	72,589	14,294	206,610
Payroll taxes	40,878	4,952	21,422	2,798	27,132	49,646	13,300	160,128
Bad debt/taxes/miscellaneous	37,265	3,695	30,118	3,934	9,294	55,772	10,982	151,060
Other rent	33,413	3,313	27,004	9,997	13,986	50,007	9,847	147,567
Printing & Publications	26,596	2,782	21,471	24,630	14,539	40,379	8,616	139,013
Postage and Supplies	13,226	3,371	13,489	30,264	5,809	19,795	15,837	101,791
Occupancy Costs	24,589	2,438	19,873	2,596	6,133	36,801	7,247	99,677
Retirement Plan Contributions	19,627	1,908	8,295	1,084	12,912	18,704	4,771	67,301
Insurance	13,619	1,350	11,006	1,438	3,396	20,382	4,014	55,205
Bank Service Fees	10,027	994	8,104	1,059	2,501	15,006	2,955	40,646
Telephone	4,291	543	2,835	370	5,784	5,979	1,363	21,165
Permits	2,962	294	2,394	313	739	4,433	873	12,008
Entertainment	-	-	-	-	550	-	-	550
Other	31,806	6,158	27,836	3,269	69,107	54,016	10,225	202,417
	<u>\$ 4,253,550</u>	<u>421,763</u>	<u>3,437,705</u>	<u>449,076</u>	<u>1,060,850</u>	<u>6,365,999</u>	<u>1,254,125</u>	<u>17,243,068</u>

THE LIVESTRONG FOUNDATION

SCHEDULE OF GRANT HISTORY DECEMBER 31, 2016

	2006 and Prior	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	TOTAL
Grants payable												
Beginning of year	\$ -	7,337,123	7,590,025	6,833,099	3,057,033	2,040,951	2,605,206	2,231,821	629,072	225,822	227,146	-
Grants awarded	43,764,892	9,534,130	8,800,140	4,995,469	7,303,518	5,354,612	9,732,907	6,499,038	3,930,832	3,162,676	5,301,150	108,379,364
Grant payments and other changes	<u>(36,427,769)</u>	<u>(9,281,228)</u>	<u>(9,557,066)</u>	<u>(8,771,535)</u>	<u>(8,319,600)</u>	<u>(4,790,357)</u>	<u>(10,106,292)</u>	<u>(8,101,787)</u>	<u>(4,334,082)</u>	<u>(3,161,352)</u>	<u>(5,528,296)</u>	<u>(108,379,364)</u>
Grants payable End of year	<u>\$ 7,337,123</u>	<u>7,590,025</u>	<u>6,833,099</u>	<u>3,057,033</u>	<u>2,040,951</u>	<u>2,605,206</u>	<u>2,231,821</u>	<u>629,072</u>	<u>225,822</u>	<u>227,146</u>	<u>-</u>	<u>-</u>