

**THE LIVESTRONG  
FOUNDATION**

**Financial Statements  
as of and for the Years Ended  
December 31, 2015 and 2014 and  
Independent Auditors' Report**

# THE LIVESTRONG FOUNDATION

## TABLE OF CONTENTS

---

	<u>Page</u>
<b>FINANCIAL STATEMENTS</b>	
Independent Auditors' Report	1
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6
<b>SUPPLEMENTAL INFORMATION</b>	
Schedule of Program Services Expenses	21
Schedule of Grant History	22



MAXWELL LOCKE & RITTER LLP

*Accountants and Consultants*

*An Affiliate of CPAmerica International*

tel (512) 370 3200 fax (512) 370 3250

www.mlrpc.com

Austin: 401 Congress Avenue, Suite 1100  
Austin, TX 78701

Round Rock: 303 East Main Street  
Round Rock, TX 78664

## **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, 2015 and 2014, 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, 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.

### **Change in Accounting Principles**

As discussed in Note 2 to the financial statements, the Foundation changed its method of accounting for inventory in 2015 as required by the provisions of Financial Accounting Standards Board Accounting Standards Updates No. 2015-11. Our opinion is not modified with respect to this matter.

### **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 schedule 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  
November 15, 2016

# THE LIVESTRONG FOUNDATION

## STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2015 AND 2014

	2015	2014
<b>ASSETS</b>		
Cash and cash equivalents	\$ 7,718,095	\$ 19,733,455
Accounts receivable	616,419	546,817
Promises to give, net	1,485,638	2,098,971
Grants receivable	630	91,655
Prepaid expenses and other assets	224,253	735,334
Inventory	2,144,195	2,595,946
Investments	52,823,141	53,943,588
Property and equipment, net	10,683,027	11,463,294
Intangibles	1,083,886	1,120,886
<b>TOTAL ASSETS</b>	<b>\$ 76,779,284</b>	<b>\$ 92,329,946</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 549,055	\$ 1,006,727
Deferred revenue	62,069	227,741
Grants payable, net	227,146	225,822
<b>Total liabilities</b>	<b>838,270</b>	<b>1,460,290</b>
<b>NET ASSETS:</b>		
Unrestricted:		
Undesignated	39,498,868	51,376,201
Board-designated	11,157,406	11,157,406
<b>Total unrestricted</b>	<b>50,656,274</b>	<b>62,533,607</b>
Temporarily restricted	12,947,462	15,461,536
Permanently restricted	12,337,278	12,874,513
<b>Total net assets</b>	<b>75,941,014</b>	<b>90,869,656</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 76,779,284</b>	<b>\$ 92,329,946</b>

See notes to financial statements.

# THE LIVESTRONG FOUNDATION

## STATEMENTS OF ACTIVITIES YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
<b>UNRESTRICTED NET ASSETS:</b>		
Revenues:		
Contributions	\$ 4,638,405	\$ 3,801,065
Investment (loss) return, net	(634,322)	558,375
Royalties and licensing fees	51,584	1,099,346
Special event revenues	774,716	1,356,583
Cost of direct benefits to donors	(169,944)	(347,754)
Program merchandise and services	417,036	922,230
Program merchandise and services - promotional cost	(227,732)	(217,168)
Grant revenue	37,500	196,655
Total revenues, net	4,887,243	7,369,332
Net assets released from restrictions	3,623,718	4,165,973
Total revenues, net and net assets released from restrictions	8,510,961	11,535,305
Expenses:		
Program services	16,408,822	20,072,081
Fundraising	3,054,203	3,350,428
Management and general	925,269	1,445,571
Total expenses	20,388,294	24,868,080
Change in unrestricted net assets	(11,877,333)	(13,332,775)
<b>TEMPORARILY RESTRICTED NET ASSETS:</b>		
Contributions	574,003	8,008,431
Net assets released from restrictions	(3,088,077)	(3,727,214)
Change in temporarily restricted net assets	(2,514,074)	4,281,217
<b>PERMANENTLY RESTRICTED NET ASSETS:</b>		
Contributions	170,431	497,486
Investment (loss) income, net	(172,025)	147,002
Net assets released from restrictions	(535,641)	(438,759)
Change in permanently restricted net assets	(537,235)	205,729
<b>CHANGE IN NET ASSETS</b>	(14,928,642)	(8,845,829)
<b>NET ASSETS, beginning of year</b>	90,869,656	99,715,485
<b>NET ASSETS, end of year</b>	\$ 75,941,014	\$ 90,869,656

See notes to financial statements.

# THE LIVESTRONG FOUNDATION

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (14,928,642)	\$ (8,845,829)
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	250,824	116,234
Depreciation	843,947	830,984
Loss from sale of property and equipment	9,615	-
Unrealized loss on investments, net	3,622,943	2,812,253
Contributions restricted for long-term investment	(170,431)	(497,486)
Investment income restricted for long-term investment	172,025	(147,002)
Change in assets and liabilities that provided (used) cash:		
Accounts receivable	(69,602)	930,091
Promises to give	362,509	28,216
Grants receivable	91,025	(91,655)
Prepaid expenses and other assets	511,081	81,194
Inventory	451,751	161,169
Accounts payable and accrued expenses	(368,962)	(496,833)
Deferred revenue	(165,672)	(463,760)
Grants payable	1,324	(403,250)
Net cash used in operating activities	(9,386,265)	(5,985,674)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of investments	(2,815,064)	(3,525,764)
Purchases of property and equipment	(162,007)	(516,359)
Purchases of intangibles	-	(20,000)
Refund from intangibles filed	37,000	-
Proceeds from sale of investment securities	312,570	382,732
Net cash used in investing activities	(2,627,501)	(3,679,391)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Contributions restricted for long-term investment	170,431	497,486
Investment income restricted for long term investment	(172,025)	147,002
Net cash provided by financing activities	(1,594)	644,488
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(12,015,360)	(9,020,577)
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	19,733,455	28,754,032
<b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ 7,718,095	\$ 19,733,455
<b>SUPPLEMENTAL CASH DISCLOSURES:</b>		
Supplemental schedule of noncash investing activities-		
Acquisition of property and equipment with accounts payable	\$ -	\$ 88,712

See notes to financial statements.

# THE LIVESTRONG FOUNDATION

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2015 AND 2014

---

### 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](http://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 ACCCOUNTING 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, 2015 or 2014, 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, 2015 and 2014. Receivables consist of accounts receivable, promises to give and grants receivable. At December 31, 2015 and 2014, balances due from three donors represented 63% and 58% 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, 2015 or 2014.

**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 26,240 and 58,428 hours to the Foundation's program services and fundraising campaigns during the years ended December 31, 2015 and 2014, 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, 2015 and 2014 was \$680,264 and \$1,940,810, 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, 2015 and 2014. 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.

**Reclassifications** - Certain amounts in the prior year have been reclassified to conform to the presentation adopted in the current year. Total net assets are unchanged due to these reclassifications.

**Changes in Accounting Principles for Recently Adopted Accounting Pronouncements** - As a result of changes in the accounting standards for inventory, inventory is measured at the lower of cost or net realizable value rather than the lower of cost or market for inventory in which cost is determined using FIFO or average cost. The standard was adopted effective January 1, 2015 and the guidance was applied prospectively to inventory existing as of that date and recognized subsequent to that date. Accordingly, there was no effect to net assets as of December 31, 2013 or the change in net assets for the year ended December 31, 2014.

**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 August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements - Going Concern*, which provides guidance about management's responsibility to evaluate on an annual basis whether there is substantial doubt about an entity's ability to continue as a going concern within one year after the date that the financial statements are available to be issued and to provide certain related footnote disclosures. The standard is effective for fiscal years ending after December 15, 2016 and early adoption is permitted. Due to the change in requirements for reporting, presentation and disclosure of future evaluations of the entity's ability to continue as a going concern may be different than under current standards.

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 statements of financial position. Interest on the lease liability and amortization of the right-of-use asset are recognized separately in the statements 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, 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>

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, 2014	\$ 1,363,922
New investment contributions	14,000
Total distributions	(311,726)
Total net gains (realized/unrealized)	21,750
Balance, December 31, 2015	<u>\$ 1,087,946</u>

Investments consisted of the following at December 31, 2014:

	Fair Value	Fair Value Measurements Using:		
		Level 1	Level 2	Level 3
Common stocks and mutual funds:				
TIFF Multi-Asset Fund	\$ 48,611,466	48,611,466	-	-
TIFF Short-Term Fund	3,968,200	-	3,968,200	-
Total common stocks and mutual funds	52,579,666	48,611,466	3,968,200	-
Limited Partnership-TPEP 2005	1,363,922	-	-	1,363,922
	<u>\$ 53,943,588</u>	<u>48,611,466</u>	<u>3,968,200</u>	<u>1,363,922</u>

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

Balance, December 31, 2013	\$ 1,511,686
New investment contributions	40,000
Total distributions	(389,090)
Total net gains (realized/unrealized)	201,326
Balance, December 31, 2014	<u>\$ 1,363,922</u>

Investment income (losses) consisted of the following for the years ended December 31:

	2015	2014
Capital gain distributions	\$ 2,104,745	\$ 3,161,786
Unrealized losses, net	(3,622,943)	(2,812,253)
Dividends	661,601	331,431
Interest	50,250	24,536
Realized losses, net	-	(123)
	<u>\$ (806,347)</u>	<u>\$ 705,377</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, 2015 and 2014, the Foundation had a remaining commitment to TPEP 2005 of \$166,000 and \$180,000, respectively. 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>2015</u>	<u>2014</u>
Contributions due in less than one year	\$ 1,209,627	\$ 1,023,078
Contributions due in one to five years	750,834	1,249,892
Contributions due in more than five years	<u>148,456</u>	<u>198,456</u>
	2,108,917	2,471,426
Less allowance for uncollectible promises	(561,283)	(268,721)
Less discount to net present value	<u>(61,996)</u>	<u>(103,734)</u>
	<u>\$ 1,485,638</u>	<u>\$ 2,098,971</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, 2015 and 2014.

#### 5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2015</u>	<u>2014</u>
Building	\$ 9,203,129	\$ 9,202,254
Furniture, fixtures and equipment	<u>3,513,937</u>	<u>5,248,486</u>
	12,717,066	14,450,740
Less accumulated depreciation	<u>(4,073,250)</u>	<u>(5,026,657)</u>
	8,643,816	9,424,083
Land	<u>2,039,211</u>	<u>2,039,211</u>
Property and equipment, net	<u>\$ 10,683,027</u>	<u>\$ 11,463,294</u>

#### 6. GRANTS PAYABLE

During the years ended December 31, 2015 and 2014, 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 were as follows at December 31:

	<u>2015</u>	<u>2014</u>
Payable in less than one year	\$ 227,146	\$ 161,811
Payable in one to five years	<u>-</u>	<u>67,909</u>
	227,146	229,720
Less discount to net present value	<u>-</u>	<u>(3,898)</u>
Grants payable, net	<u>\$ 227,146</u>	<u>\$ 225,822</u>



The discount rate applied to grants payable extending beyond one year from the grant date was 3% at December 31, 2015 and 2014.

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 \$54,980,156 in conditional grants payable to others over 10 years as of December 31, 2015. Included in this amount is 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 \$500,000 to UT during the year ended December 31, 2015.

## 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, 2015 and 2014 were \$44,326 and \$35,450, respectively. Minimum future rentals are as follows:

2016	\$ 40,230
2017	40,230
2018	<u>10,058</u>
	<u>\$ 90,518</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>2015</u>	<u>2014</u>
ASAP Research Collaborative	\$ 11,444,063	\$ 9,847,183
Time Restrictions	842,871	1,541,515
Men’s Health Initiatives	389,520	4,021,330
Programs and Partnerships	261,400	41,900
Young Adult Services	<u>9,608</u>	<u>9,608</u>
	<u>\$ 12,947,462</u>	<u>\$ 15,461,536</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>2015</u>	<u>2014</u>
Individual named funds (73 individual funds at December 31, 2015 and 2014)	\$ 12,062,508	\$ 12,604,385
Unnamed funds	<u>274,770</u>	<u>270,128</u>
	<u>\$ 12,337,278</u>	<u>\$ 12,874,513</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>

Endowment net asset composition by type of fund was as follows at December 31, 2014:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	12,874,513	12,874,513
Unrestricted earnings on donor-restricted endowment funds	19,349,247	-	19,349,247
Board-designated endowment funds	<u>9,157,406</u>	<u>-</u>	<u>9,157,406</u>
Total funds	<u>\$ 28,506,653</u>	<u>12,874,513</u>	<u>41,381,166</u>

The changes in endowment net assets for the year ended December 31, 2014 were as follows:

	Unrestricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 29,222,213	12,668,784	41,890,997
Investment return	271,357	148,578	419,935
Contributions	-	497,486	497,486
Appropriation of endowment assets for expenditure and other adjustments	(986,917)	(440,335)	(1,427,252)
Endowment net assets, end of year	<u>\$ 28,506,653</u>	<u>12,874,513</u>	<u>41,381,166</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 on a current basis by the Foundation. Employees are fully vested in all contributions made on their behalf by the Foundation. The contributions charged to operations were \$147,874 and \$191,044 during the years ended December 31, 2015 and 2014, respectively.

## 11. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2015 and 2014, the Foundation received contributions of \$31,095 and \$88,675, respectively, from board members. During the years ended December 31, 2015 and 2014, the Foundation made payments of \$1,252 and \$2,250, respectively, to related parties for services provided and expense reimbursements. As of December 31, 2014, the Foundation had promises to give due from board members of \$5,000. As of December 31, 2015, the Foundation did not have any promises to give due from board members.

## 12. FEDERAL AND STATE GRANTS

The Department of Health and Human Services' Centers for Disease Control ("CDC") awarded the Foundation a federal grant for the CDC 2012-2013 fiscal year in support of the "Making An Impact: Outreach and Education to Improve Survivorship amount Underserved Populations" initiative. The purpose of the grant is to support and encourage early detection or survivorship of cancer in underserved populations.

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 of 2017 to incur allowable program expenses as reimbursable under the award.

During the years ended December 31, 2015 and 2014, the Foundation incurred reimbursable expenditures of \$37,502 and \$196,655, 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, 2015 consisted of the following:

	Program Services	Fundraising	Management and General	Total
Salaries, Wages and Benefits	\$ 5,002,940	1,282,148	519,492	6,804,580
Grants and Awards	3,109,862	-	-	3,109,862
Legal and Professional	2,614,800	254,640	51,908	2,921,348
Technology	1,282,732	341,417	85,048	1,709,197
Advertising	751,587	151,229	58,953	961,769
Public Awareness	922,127	-	-	922,127
Depreciation	640,865	174,565	28,519	843,949
Payroll Taxes	290,833	74,536	25,976	391,345
Bad Debt and Taxes	149,467	213,788	20,122	383,377
Guidebook and Merchandise				
Giveaway	220,582	9,188	2,376	232,146
Travel	204,632	67,604	8,214	280,450
Other Rent	192,363	70,487	23,451	286,301
Contract Services Expenses	147,889	49,441	17,555	214,885
Professional Fundraising Fees	137,315	60,990	24,596	222,901
Retirement Plan Contributions	117,450	24,917	5,507	147,874
Postage and Supplies	102,264	46,992	8,163	157,419
Printing and Publications	86,064	49,146	7,831	143,041
Occupancy Costs	80,907	33,088	4,882	118,877
Bank Service Fees	31,537	21,084	4,182	56,803
Telephone	45,744	9,544	2,342	57,630
Insurance	76,900	31,737	6,306	114,943
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>

Functional expenses for the year ended December 31, 2014 consisted of the following:

	Program Services	Fundraising	Management and General	Total
Salaries, Wages and Benefits	\$ 6,091,058	1,424,299	395,535	7,910,892
Grants and Awards	3,831,935	-	-	3,831,935
Legal and Professional	3,162,676	194,716	149,694	3,507,086
Advertising	1,533,582	300,431	106,797	1,940,810
Public Awareness	1,042,218	-	-	1,042,218
Technology	469,993	231,149	329,835	1,030,977
Depreciation	589,626	169,389	72,384	831,400
Travel	544,648	101,630	31,716	677,994
Contract Services Expenses	342,596	134,373	77,485	554,455
Payroll Taxes	370,470	85,323	23,610	479,403
Professional Fundraising Fees	281,439	128,041	48,224	457,704
Other Rent	330,757	76,818	36,819	444,394
Guidebook and Merchandise				
Giveaway	278,144	11,189	5,547	294,879
Bad Debt and Taxes	99,584	101,762	43,669	245,015
Retirement Plan Contributions	147,864	33,007	10,140	191,011
Occupancy Costs	113,091	46,631	7,279	167,001
Printing and Publications	101,444	32,950	9,542	143,935
Postage and Supplies	92,357	38,821	4,342	135,521
Insurance	81,540	31,399	7,831	120,769
Bank Service Fees	59,052	46,752	11,178	116,981
Telephone	45,045	13,265	19,436	77,746
Permits	12,045	5,234	3,157	20,436
Other	450,917	143,249	51,352	645,518
	<u>\$ 20,072,081</u>	<u>3,350,428</u>	<u>1,445,571</u>	<u>24,868,080</u>

#### 14. SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through November 15, 2016 (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, 2015

	Navigation Services	Grants and Research	Mission Awareness	System Change	Advocacy and Government Relations	Community Programs	Educational Resources	Total Program Services
Salaries, Wages and Benefits	\$ 1,264,553	1,123,924	799,669	816,907	577,533	308,292	112,062	5,002,940
Grants and Awards	26,413	1,958,375	26,380	879,597	6,531	208,663	3,903	3,109,862
Legal and Professional	1,732,240	143,449	157,439	265,050	124,605	100,940	91,077	2,614,800
Technology	335,543	321,414	220,901	211,383	81,087	63,952	48,452	1,282,732
Public Awareness	-	-	922,127	-	-	-	-	922,127
Advertising	210,969	147,488	170,348	91,279	43,309	35,901	52,293	751,587
Depreciation	304,204	118,100	75,002	72,290	29,875	23,543	17,851	640,865
Payroll Taxes	74,464	65,672	43,288	47,549	35,018	18,675	6,167	290,833
Guidebook and Merchandise Giveaway	3,576	5,518	28,245	3,418	1,886	1,142	176,797	220,582
Travel	37,588	45,182	28,868	13,634	57,378	19,188	2,794	204,632
Other Rent	46,986	45,961	29,381	28,133	11,626	9,162	21,114	192,363
Bad Debt and Taxes	39,454	38,593	24,509	23,623	9,762	7,693	5,833	149,467
Contract Services Expenses	36,090	29,935	24,116	18,523	7,650	6,529	25,046	147,889
Professional Fundraising Fees	36,247	35,454	22,516	21,702	8,969	7,068	5,359	137,315
Retirement Plan Contributions	28,706	23,968	18,406	24,875	12,503	6,422	2,570	117,450
Postage and Supplies	29,255	11,742	19,473	7,160	6,627	3,121	24,886	102,264
Printing and Publications	13,584	13,572	9,943	7,792	8,649	2,798	29,726	86,064
Occupancy Costs	21,357	20,890	13,267	12,787	5,284	4,164	3,158	80,907
Insurance	20,361	19,834	12,596	12,140	5,017	3,954	2,998	76,900
Telephone	10,845	9,235	6,942	5,583	9,823	2,096	1,220	45,744
Bank Service Fees	9,083	7,877	5,002	4,821	1,993	1,570	1,191	31,537
Permits	2,756	2,696	1,712	1,651	682	538	408	10,443
Entertainment	117	115	73	70	29	23	17	444
Other	47,007	47,758	30,405	23,393	25,902	9,142	5,468	189,075
	<u>\$ 4,331,398</u>	<u>4,236,752</u>	<u>2,690,608</u>	<u>2,593,360</u>	<u>1,071,738</u>	<u>844,576</u>	<u>640,390</u>	<u>16,408,822</u>



# THE LIVESTRONG FOUNDATION

## SCHEDULE OF GRANT HISTORY DECEMBER 31, 2015

	2005 and Prior	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	TOTAL
Grants payable												
Beginning of year \$	-	9,540,676	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	-
Grants awarded	30,873,726	12,891,166	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	103,078,214
Grant payments and other changes	(21,333,050)	(15,094,719)	(9,281,228)	(9,557,066)	(8,771,535)	(8,319,600)	(4,790,357)	(10,106,292)	(8,101,787)	(4,334,082)	(3,161,352)	(102,851,068)
Grants payable												
End of year	<u>\$ 9,540,676</u>	<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>227,146</u>