THE MANKIND PROJECT USA

FINANCIAL STATEMENTS

DECEMBER 31, 2011

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Warady & Davis LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

Project Council Directors
The ManKind Project USA
Glendale, California

We have audited the accompanying statements of financial position of THE MANKIND PROJECT USA (an Illinois nonprofit organization) as of December 31, 2011 and 2010, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of THE MANKIND PROJECT USA as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Warady & Davis LLP

November 12, 2012

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STATEMENTS OF FINANCIAL POSITION

As of December 31	2011	2010
ASSETS		
CURRENT ASSETS		
Cash	**$ 353,285**	$ 146,751
Pledge Receivable	**10,000**	25,000
Other Receivables	**5,778**	15,140
Due from Affiliates	**7,780**	67,087
Prepaid Expenses	**—**	7,202
Total Current Assets	**376,843**	261,180
PROPERTY AND EQUIPMENT		
Computer Equipment	**10,677**	9,449
Software	**2,635**	2,635
	13,312	12,084
Less Accumulated Depreciation and Amortization	**10,344**	8,035
	2,968	4,049
	$ 379,811	$ 265,229
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	**$ 54,688**	$ 11,482
Due to ManKind Project International	**22,000**	17,685
Accrued Payroll and Related Liabilities	**19,812**	63,137
Other Accrued Expenses	**2,350**	5,118
Deferred Revenue	**—**	9,750
Total Current Liabilities	**98,850**	107,172
NET ASSETS		
Unrestricted	**(34,103)**	105,872
Temporarily Restricted	**315,064**	52,185
	280,961	158,057
	$ 379,811	$ 265,229

STATEMENTS OF ACTIVITIES

For the Years Ended December 31	2011			2010		
	Unrestricted	**Temporarily Restricted**	**Total**	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUES						
Contributions	**$ 80,440**	**$ 394,780**	**$ 475,220**	$ 184,491	$ 50,965	$ 235,456
Program Revenue						
Training and Other Project Fees	**338,451**	—	**338,451**	363,601	—	363,601
Conference	**97,168**	—	**97,168**	118,447	—	118,447
Leader Dues	—	—	—	25,194	—	25,194
Certification Fees	—	—	—	9,350	—	9,350
	435,619	—	**435,619**	516,592	—	516,592
Other Revenue	**9,694**	**24**	**9,718**	6,420	—	6,420
Net Assets Released from Restrictions	**131,925**	**(131,925)**	—	4,225	(4,225)	—
Total Support and Revenues	**657,678**	**262,879**	**920,557**	711,728	46,740	758,468
EXPENSES						
Program Expenses	**469,343**	—	**469,343**	477,936	—	477,936
Management and General	**252,785**	—	**252,785**	197,105	—	197,105
Fundraising	**75,525**	—	**75,525**	81,677	—	81,677
Total Expenses	**797,653**	—	**797,653**	756,718	—	756,718
CHANGE IN NET ASSETS	**(139,975)**	**262,879**	**122,904**	(44,990)	46,740	1,750
Net Assets, Beginning	**105,872**	**52,185**	**158,057**	189,771	5,445	195,216
Transfer of Equity to ManKind Project International	—	—	—	(38,909)	—	(38,909)
NET ASSETS, ENDING	**$ (34,103)**	**$ 315,064**	**$ 280,961**	$ 105,872	$ 52,185	$ 158,057

See accompanying notes.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended December 31	**2011**				2010			
	Program Expenses	**Management and General**	**Fundraising**	**Total**	Program Expenses	Management and General	Fundraising	Total
Award Recognition	**$ 1,591**	**$ —**	**$ —**	**$ 1,591**	$ 2,166	$ —	$ —	$ 2,166
Bad Debt Expense	**—**	**—**	**—**	**—**	—	5,446	—	5,446
Conference and Meetings	**48,019**	**48,019**	**5,055**	**101,093**	81,392	37,565	6,261	125,218
Credit Card and Bank Fees	**10,331**	**1,291**	**1,291**	**12,913**	18,008	2,251	2,251	22,510
Depreciation and Amortization	**924**	**1,385**	**—**	**2,309**	1,050	1,575	—	2,625
Insurance	**56,055**	**8,011**	**3,605**	**67,671**	55,537	8,979	—	64,516
Interest	**—**	**803**	**—**	**803**	—	1,083	—	1,083
Miscellaneous	**—**	**14,571**	**99**	**14,670**	—	10,958	—	10,958
Payroll Taxes	**20,038**	**8,540**	**4,270**	**32,848**	16,773	2,995	2,994	22,762
Penalties and Fines	**—**	**2,919**	**—**	**2,919**	—	4,035	—	4,035
Postage	**437**	**1,136**	**175**	**1,748**	2,074	829	5,391	8,294
Printing and Reproduction	**—**	**—**	**1,630**	**1,630**	2,694	722	13,795	17,211
Professional Fees	**15,738**	**67,109**	**13,023**	**95,870**	1,479	14,779	—	16,258
Royalties	**87,051**	**—**	**—**	**87,051**	153,339	—	—	153,339
Salaries	**173,914**	**75,940**	**36,996**	**286,850**	89,075	59,731	33,415	182,221
Scholarships	**2,592**	**—**	**—**	**2,592**	2,600	—	—	2,600
Stipends	**28,899**	**5,780**	**3,853**	**38,532**	33,090	16,667	—	49,757
Supplies	**783**	**389**	**799**	**1,971**	4,838	1,861	744	7,443
Telephone	**856**	**856**	**191**	**1,903**	1,594	613	245	2,452
Temporary Help	**—**	**—**	**108**	**108**	—	—	6,840	6,840
Travel	**12,516**	**15,298**	**—**	**27,814**	8,102	22,891	7,678	38,671
Website	**9,599**	**738**	**4,430**	**14,767**	4,125	4,125	2,063	10,313
TOTALS	**$ 469,343**	**$ 252,785**	**$ 75,525**	**$ 797,653**	$ 477,936	$ 197,105	$ 81,677	$ 756,718

See accompanying notes.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 122,904	$ 1,750
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation and Amortization	2,309	2,625
Accounts Receivable	—	5,192
Pledge Receivable	15,000	(25,000)
Other Receivables	9,362	7,954
Due from Affiliates	59,307	830
Prepaid Expenses	7,202	9,991
Accounts Payable	43,206	(18,709)
Accrued Payroll and Related Liabilities	(43,325)	40,256
Other Accrued Expenses	(2,768)	5,118
Deferred Revenue	(9,750)	(21,830)
Total Adjustments	80,543	6,427
Net Cash Provided by Operating Activities	203,447	8,177
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(1,228)	—
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in Due to ManKind Project International	4,315	17,685
Transfer of Equity to ManKind Project International	—	(38,909)
Net Cash Provided (Used) by Financing Activities	4,315	(21,224)
NET INCREASE (DECREASE) IN CASH	206,534	(13,047)
Cash, Beginning of Year	146,751	159,798
CASH, END OF YEAR	$ 353,285	$ 146,751

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS

NOTE 1—ORGANIZATION ACTIVITIES

The ManKind Project USA (the Organization) is an Illinois not-for-profit corporation which provides education and training for men. Until April 2010, the Organization served as the umbrella organization for 39 interdependent centers worldwide, which conduct advanced training each year. The Organization is supported primarily through sponsored training events and other project fees, conference registrations and donor contributions.

In April 2010, an affiliate organization, ManKind Project International, was established to serve as an umbrella organization for all international centers. At that time, The ManKind Project USA transferred $40,301 of net assets to ManKind Project International. Subsequent to April 2010, The ManKind Project USA serves as the umbrella organization for all 31 domestic centers.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of management who is responsible for their integrity and objectivity. These accounting policies conform to U.S. generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

FINANCIAL STATEMENT PRESENTATION

The Organization's policy is to present its financial statements according to the recommendations of the Financial Accounting Standards Board (FASB) Codification topic related to "Financial Statements of Not-for-Profit Organizations" which requires the Organization to report information regarding its financial position and activities, based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations plus those resources for which temporarily donor-imposed stipulations have been satisfied. Unrestricted net assets may otherwise be designated for specific purposes by action of the Board of Directors.

Temporarily restricted net assets - Net assets whose use by the Organization is subject to donor-imposed stipulations that may or will be met either by actions of the Organization, pursuant to those stipulations and/or that expire by the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that the resources be maintained permanently by the Organization. Generally, the donors permit the organization to use or expend all or part of the income earned on those assets to support current operations and, accordingly, income is recorded as unrestricted. The Organization had no permanently restricted net assets as of December 31, 2011 or 2010.

Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, gains and expenses during the reporting period. Actual results could differ from those estimates.

CONTRIBUTIONS

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted. When a restriction expires (that is, when a stipulated time restriction ends or purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Pledges receivable are reported as temporarily restricted based on implied time restrictions.

REVENUE RECOGNITION

The Organization uses the accrual method of accounting. Program fees are recognized as revenue when earned. The amount of fees collected but unearned as of the statements of financial position date are recorded as deferred revenue.

PROPERTY AND EQUIPMENT

Property and equipment purchases of $1,000 or more are recorded at cost and depreciated or amortized over their estimated useful lives on a straight-line basis. Major renewals and betterments, which extend the useful life of an asset, are capitalized while routine maintenance and repairs are expensed as incurred.

The estimated useful lives of the assets are as follows:

Computer Equipment	5 years
Software	3 years

Depreciation and amortization expense was $2,309 for the year ended December 31, 2011 and $2,625 for the year ended December 31, 2010.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Expenses that are directly associated with a particular program or supporting service are charged directly to that functional area. Accordingly, certain other costs have been allocated among the programs and supporting services benefited based on estimates of staff time devoted to the functional areas and other appropriate allocation methods determined by management.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INCOME TAX STATUS

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue code and, therefore, has made no provision for federal income taxes in the accompanying financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a *private foundation* within the meaning of Section 509(a) of the Internal Revenue Code.

The Organization files its forms 990 in the U.S. federal jurisdiction. The Organization is generally no longer subject to examination by the Internal Revenue Service for years before 2008.

The Organization follows the guidance in the FASB Codification topic related to uncertainty in income taxes which prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements uncertain tax positions that the Organization has taken or expects to take in its tax returns. Under the guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is "more likely than not" that it is sustainable, based on its technical merits. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority having full knowledge of all relevant information. The Organization believes that it has appropriate support for the positions taken on its returns.

NOTE 3—PLEDGE RECEIVABLE

The pledge receivable represents an unconditional promise to give. At December 31, 2011 and 2010, there is one pledge which is receivable in less than one year so no discount to net present value is necessary.

NOTE 4—RELATED PARTY TRANSACTIONS

Due from affiliates represents fees collected by the various centers from its members on behalf of the Organization.

As disclosed in Note 1, the Organization, as it previously was structured, split into two organizations The ManKind Project USA and ManKind Project, International (MKPI). The Organization was charged royalty fees of $86,930 in 2011 and $152,339 in 2010 by MKPI which are incurred based on the size of the region and based on the number of men initiated each year. Additionally in 2011, MKPI paid the Organization $35,393 for certain expenses. In 2010, MKPI paid the Organization for certain expenses including $108,631 of payroll expenses.

The net amount owed to MKPI was $22,000 at December 31, 2011. This amount was negotiated as a result of the spinoff of MKPI. The net amount owed to MKPI was $17,685 at December 31, 2010.

NOTE 5—TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets represent amounts restricted by the donor for the following purposes:

	2011	2010
Scholarship Diversity Fund	$ **6,035**	$ 7,185
Fund the Plan	**309,029**	20,000
Technology and Marketing	—	25,000
	$ **315,064**	$ 52,185

The Fund the Plan initiative focuses on increasing revenue to fund an executive director, bookkeeper and marketing professionals as well as improve the information technology of the Organization. Additionally, there was a move to increase the financial integrity of the Organization by hiring a CPA to act as the finance director during 2011.

Satisfaction of restrictions were for the following purposes:

	2011	2010
Scholarship Diversity Fund	$ **1,200**	$ 1,600
Fund the Plan	**105,725**	—
Technology and Marketing	**25,000**	—
ACT II Video	—	2,625
	$ **131,925**	$ 4,225

During 2011, management obtained permission from the major donors of Fund the Plan to utilize $50,000 in the form of a loan to support the continued operations of the Organization. Subsequent to year-end, $25,000 has been returned to the Fund the Plan account as a repayment of the loan. Management has budgeted and intends to repay the balance by December 31, 2012.

NOTE 6—CONTINGENCY

The Organization, as a result of fundraising efforts for Fund the Plan, offered indefinite guarantees that would provide those centers which contributed to Fund the Plan (Contributing Centers) financial relief should the contributing center encounter a financial shortfall arising from exhausted efforts to maintain financial viability. In aggregate the total amount guaranteed to Contributing Centers totals $312,000. The Organization monitors the financial position of the Contributing Centers on a quarterly basis. At December 31, 2011 and through November 12, 2012, no losses have been incurred by the Organization as result of these guarantees.

NOTE 7—SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 12, 2012, the date which the financial statements were available for issue. Except as disclosed in Note 5, there were no other subsequent events which require disclosure.