

**PROSTATE CANCER FOUNDATION**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

**PROSTATE CANCER FOUNDATION**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2010**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Prostate Cancer Foundation

We have audited the accompanying statement of financial position of Prostate Cancer Foundation (the Foundation) as of December 31, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the management of the Foundation. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the December 31, 2009 financial statements of the Foundation which were prepared by other auditors and, in their report dated August 27, 2010, they expressed an unqualified opinion on those financial statements.

We conducted our audit 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 audit provides 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 Foundation as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Green Hasson & Janks LLP*

April 11, 2011  
Los Angeles, California

**PROSTATE CANCER FOUNDATION**

**STATEMENT OF FINANCIAL POSITION**

December 31, 2010

With Summarized Totals at December 31, 2009

	Unrestricted	Temporarily Restricted	2010 Total	2009 Total
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 15,701,144	\$ 1,800,000	\$ 17,501,144	\$ 30,510,823
Investments	12,555,258	-	12,555,258	611,968
Pledges Receivable (Net)	10,802,232	4,639,844	15,442,076	8,421,026
Prepaid Expenses and Other Assets	121,975	-	121,975	179,070
Property and Equipment (Net)	593,827	-	593,827	191,792
<b>TOTAL ASSETS</b>	<b>\$ 39,774,436</b>	<b>\$ 6,439,844</b>	<b>\$ 46,214,280</b>	<b>\$ 39,914,679</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES:</b>				
Accounts Payable	\$ 217,575	\$ -	\$ 217,575	\$ 130,614
Accrued Liabilities	632,827	-	632,827	883,026
Grants Payable	15,063,044	-	15,063,044	16,353,378
<b>TOTAL LIABILITIES</b>	<b>15,913,446</b>	<b>-</b>	<b>15,913,446</b>	<b>17,367,018</b>
<b>NET ASSETS:</b>				
Unrestricted	23,860,990	-	23,860,990	20,760,744
Temporarily Restricted	-	6,439,844	6,439,844	1,786,917
<b>TOTAL NET ASSETS</b>	<b>23,860,990</b>	<b>6,439,844</b>	<b>30,300,834</b>	<b>22,547,661</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 39,774,436</b>	<b>\$ 6,439,844</b>	<b>\$ 46,214,280</b>	<b>\$ 39,914,679</b>

The Accompanying Notes are an Integral Part of These Financial Statements

# PROSTATE CANCER FOUNDATION

## STATEMENT OF ACTIVITIES

Year Ended December 31, 2010

With Summarized Totals for the Year Ended December 31, 2009

	Unrestricted	Temporarily Restricted	2010 Total	2009 Total
<b>REVENUE AND PUBLIC SUPPORT:</b>				
Grants and Contributions	\$ 32,627,965	\$ 7,591,261	\$ 40,219,226	\$ 33,265,074
Investment Income (Loss)	214,678	-	214,678	(85,830)
Net Assets Released from Purpose Restrictions	2,938,334	(2,938,334)	-	-
<b><i>TOTAL REVENUE AND PUBLIC SUPPORT</i></b>	<b>35,780,977</b>	<b>4,652,927</b>	<b>40,433,904</b>	<b>33,179,244</b>
<b>EXPENSES:</b>				
Program Services	24,749,774	-	24,749,774	19,407,110
Supporting Services:				
Management and General	3,261,488	-	3,261,488	2,714,456
Fundraising	4,669,469	-	4,669,469	4,502,562
<b><i>TOTAL EXPENSES</i></b>	<b>32,680,731</b>	<b>-</b>	<b>32,680,731</b>	<b>26,624,128</b>
<b><i>CHANGE IN NET ASSETS</i></b>	<b>3,100,246</b>	<b>4,652,927</b>	<b>7,753,173</b>	<b>6,555,116</b>
Net Assets - Beginning of Year	20,760,744	1,786,917	22,547,661	15,992,545
<b><i>NET ASSETS - END OF YEAR</i></b>	<b>\$ 23,860,990</b>	<b>\$ 6,439,844</b>	<b>\$ 30,300,834</b>	<b>\$ 22,547,661</b>

The Accompanying Notes are an Integral Part of These Financial Statements

# PROSTATE CANCER FOUNDATION

## STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2010

With Summarized Totals for the Year Ended December 31, 2009

	Program Services			Total Program Services	Supporting Services		Total Supporting Services	Total Expenses	
	Research Grants	Scientific Conferences and Programs	Public Awareness and Advocacy		Management and General	Fundraising		2010	2009
Research Grants	\$ 19,775,266	\$ -	\$ -	\$ 19,775,266	\$ -	\$ -	\$ -	\$ 19,775,266	\$ 15,153,848
Compensation, Benefits and Payroll Taxes	-	1,094,329	548,296	1,642,625	1,794,212	1,504,021	3,298,233	4,940,858	3,719,840
Professional Fees	-	65,859	111,078	176,937	262,378	790,544	1,052,922	1,229,859	1,440,700
Office Expenses	-	67,786	51,015	118,801	534,375	94,819	629,194	747,995	719,460
Occupancy	-	29,169	134,878	164,047	167,825	78,098	245,923	409,970	386,957
Travel, Meals and Entertainment	-	25,078	30,519	55,597	22,698	828,105	850,803	906,400	758,085
Conferences, Conventions and Meetings	-	1,074,326	1,003,380	2,077,706	-	1,206,592	1,206,592	3,284,298	3,417,846
Media, Public Relations and Publications	-	-	569,025	569,025	17,960	124,350	142,310	711,335	302,808
Depreciation and Amortization	-	3,348	51,422	54,770	71,040	8,940	79,980	134,750	82,171
Other Expenses	-	-	115,000	115,000	391,000	34,000	425,000	540,000	642,413
<b>TOTAL 2010 FUNCTIONAL EXPENSES</b>	<b>\$ 19,775,266</b>	<b>\$ 2,359,895</b>	<b>\$ 2,614,613</b>	<b>\$ 24,749,774</b>	<b>\$ 3,261,488</b>	<b>\$ 4,669,469</b>	<b>\$ 7,930,957</b>	<b>\$ 32,680,731</b>	
				76%	10%	14%		100%	
<b>TOTAL 2009 FUNCTIONAL EXPENSES</b>	<b>\$ 15,153,848</b>	<b>\$ 2,059,200</b>	<b>\$ 2,194,062</b>	<b>\$ 19,407,110</b>	<b>\$ 2,714,456</b>	<b>\$ 4,502,562</b>	<b>\$ 7,217,018</b>		<b>\$ 26,624,128</b>
				73%	10%	17%			100%

The Accompanying Notes are an Integral Part of These Financial Statements

# PROSTATE CANCER FOUNDATION

## STATEMENT OF CASH FLOWS

Year Ended December 31, 2010

With Summarized Totals for the Year Ended December 31, 2009

	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ 7,753,173	\$ 6,555,116
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Donation of Investments	-	(399,533)
Realized and Unrealized Loss on Investments	-	415,074
Depreciation and Amortization	134,750	82,171
(Increase) Decrease in:		
Pledges Receivable	(7,021,050)	(1,604,921)
Prepaid Expenses and Other Assets	57,095	(98,573)
Increase (Decrease) in:		
Accounts Payable	86,961	53,784
Accrued Liabilities	(250,199)	(494,134)
Grants Payable	(1,290,334)	(2,109,377)
<b><i>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</i></b>	<b>(529,604)</b>	<b>2,399,607</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of Property and Equipment	(536,785)	(141,178)
Purchase of Investments	(11,728,612)	(26,656)
Proceeds from Sale of Investments	-	384,459
Reinvested Interest and Dividend Income	(214,678)	-
<b><i>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</i></b>	<b>(12,480,075)</b>	<b>216,625</b>
<b><i>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</i></b>	<b>(13,009,679)</b>	<b>2,616,232</b>
Cash and Cash Equivalents - Beginning of Year	30,510,823	27,894,591
<b><i>CASH AND CASH EQUIVALENTS - END OF YEAR</i></b>	<b>\$ 17,501,144</b>	<b>\$ 30,510,823</b>

The Accompanying Notes are an Integral Part of These Financial Statements

# PROSTATE CANCER FOUNDATION

## NOTES TO FINANCIAL STATEMENTS December 31, 2010

### NOTE 1 - NATURE OF ORGANIZATION

Prostate Cancer Foundation (the Foundation) is the world's leading philanthropic organization finding and accelerating research for better treatments and cures for prostate cancer.

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the accrual basis of accounting.

#### (b) ACCOUNTING

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of the Foundation are maintained in accordance with the principles of net assets accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

- **Unrestricted.** These generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving income from investments less expenses incurred in providing program related services, raising contributions, and performing administrative functions.
- **Temporarily Restricted.** The Foundation reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from purpose or time restrictions. Restricted contributions whose restrictions are met in the same reporting period are treated as unrestricted contributions. The Foundation has \$6,439,844 of temporarily restricted net assets at December 31, 2010.
- **Permanently Restricted.** These net assets are received from donors who stipulate that resources are to be maintained permanently, but permit the Foundation to expend all of the income (or other economic benefits) derived from the donated assets. The Foundation has no permanently restricted net assets at December 31, 2010.

#### (c) CASH AND CASH EQUIVALENTS

Cash and cash equivalents are short-term, highly liquid investments with maturities of three months or less at the time of purchase. The carrying value of cash and cash equivalents at December 31, 2010 approximates its fair value.

# PROSTATE CANCER FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2010

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (c) CASH AND CASH EQUIVALENTS (continued)

The Foundation maintains its cash and cash equivalents in bank deposit accounts and other investment accounts, which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

#### (d) INVESTMENTS

Investments in equity and debt securities with readily determinable market values are reported at fair value. The fair value of these investments is determined based on the closing price on the last business day of the fiscal year. Investments in equity securities for which there is no readily available market, are valued by the Foundation using methods that management believes provide a reasonable estimate of fair value. These methods include initial due diligence and ongoing monitoring by management of investment funds. Interest and dividend income is recorded when earned.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Because of the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

At December 31, 2010, the Foundation's investments included \$11,995,258 in fixed income securities due to mature within one year.

Investments are made according to the investment policies, guidelines, and objectives adopted by the Foundation's Board of Directors.

#### (e) GRANTS, CONTRIBUTIONS AND PLEDGES RECEIVABLE

Unconditional grants and contributions, including pledges recorded at fair value, are recognized as revenues in the period received. The Foundation reports unconditional grants and contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. Conditional promises to give are not included as revenue until such time as the conditions are substantially met.

#### (f) PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the related assets as follows:

Leasehold Improvements	Shorter of Lease Term or 10 Years
Furniture and Fixtures	7 Years
Office Equipment	3 - 5 Years
Computer Software	3 Years

# PROSTATE CANCER FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2010

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**(f) PROPERTY AND EQUIPMENT** (continued)

Expenditures for repairs and maintenance are charged to operations when incurred while renewals and betterments are capitalized.

**(g) LONG-LIVED ASSETS**

The Foundation reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the book value of the assets may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the asset, in which case a write-down is recorded to reduce the related asset to its estimated fair value. No impairment losses were recognized on long-lived assets during the year ended December 31, 2010.

**(h) GRANTS**

Research grants are charged against operations when authorized by the Scientific Review Committee. The actual payment of the grant may not occur in the year of authorization.

**(i) INCOME TAXES**

The Foundation is exempt from federal taxation under Internal Revenue Code Section 501(c)(3) and the corresponding California provisions.

**(j) FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing the Foundation's programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit.

**(k) USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**(l) COMPARATIVE TOTALS**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2009, from which the summarized information was derived.

# PROSTATE CANCER FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2010

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (m) RECLASSIFICATION

For comparability, certain December 31, 2009 amounts have been reclassified, where appropriate, to conform to the financial statement presentation used at December 31, 2010. The reclassification of beginning net assets is summarized as follows:

	Net Assets		
	Beginning Net Assets as Previously Reported	Reclassification of Temporarily Restricted Net Assets	Beginning Net Assets as Reclassified
Unrestricted	\$ 22,547,661	\$ (1,786,917)	\$ 20,760,744
Temporarily Restricted	-	1,786,917	1,786,917
<b><i>TOTAL</i></b>	<b>\$ 22,547,661</b>	<b>\$ -</b>	<b>\$ 22,547,661</b>

#### (n) SUBSEQUENT EVENTS

The Foundation has evaluated events and transactions occurring subsequent to the statement of financial position date of December 31, 2010 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through April 11, 2011 the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred.

### NOTE 3 - INVESTMENTS

The Foundation has implemented the accounting standard for those assets (and liabilities) that are re-measured and reported at fair value at each reporting period. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value based on inputs used, and requires additional disclosures about fair value measurements. This standard applies to fair value measurements already required or permitted by existing standards.

In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets (or liabilities). Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset (or liability) and include situations where there is little, if any, market activity for the asset (or liability).

# PROSTATE CANCER FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2010

### NOTE 3 - INVESTMENTS (continued)

The following table presents information about the Foundation's assets that are measured at fair value on a recurring basis at December 31, 2010 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Fair Value Measurements Using			
	Year Ended December 31, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed Income Securities	\$ 11,995,258	\$ 11,995,258	\$ -	\$ -
Common Stock	560,000	-	-	560,000
<b>TOTAL INVESTMENTS</b>	<b>\$ 12,555,258</b>	<b>\$ 11,995,258</b>	<b>\$ -</b>	<b>\$ 560,000</b>

The fair values of the fixed income securities were obtained based on quoted market prices at the closing of the last business day of the fiscal year. All of the fixed income securities are due to mature within one year.

The fair value of the common stock of a private company is determined by management based on an initial appraisal and incorporating appropriate risk adjustments for nonperformance and lack of marketability. There are no unfunded commitments or redemption restrictions. There were no purchases or settlements during the year ended December 31, 2010 nor was any investment income or loss recognized.

Investment income for the year ended December 31, 2010 consists of interest and dividend income of \$214,678.

### NOTE 4 - PLEDGES RECEIVABLE

Pledges receivable at December 31, 2010 are expected to be collected as follows:

To Be Received in Less than One Year	\$ 12,102,232
To Be Received in One to Five Years	<u>3,785,000</u>
<b>GROSS PLEDGES RECEIVABLE</b>	15,887,232
Less: Present Value Discount	<u>(445,156)</u>
<b>PLEDGES RECEIVABLE (NET)</b>	<b><u>\$ 15,442,076</u></b>

# PROSTATE CANCER FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2010

### NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2010 consist of the following:

Computer Software	\$ 913,123
Leasehold Improvements	246,891
Computer and Office Equipment	219,798
Furniture and Fixtures	<u>37,179</u>
<b>TOTAL</b>	1,416,991
Less: Accumulated Depreciation	<u>(823,164)</u>
<b>PROPERTY AND EQUIPMENT (NET)</b>	<u>\$ 593,827</u>

Depreciation and amortization expense for the year ended December 31, 2010 was \$134,750.

### NOTE 6 - GRANTS PAYABLE

The following is a summary of grants authorized and payable at December 31, 2010:

To Be Paid in Less than One Year	\$ 9,238,044
To Be Paid in One to Five Years	<u>5,825,000</u>
<b>TOTAL GRANTS PAYABLE</b>	<u>\$ 15,063,044</u>

### NOTE 7 - RELATED PARTY TRANSACTIONS

The Foundation leases office space from an affiliated charitable organization under an operating lease expiring in June 2013. The following is a schedule of future minimum lease payments under this operating lease as of December 31, 2010:

#### Years Ending December 31

2011	\$ 96,887
2012	99,309
2013	<u>50,688</u>
<b>TOTAL</b>	<u>\$ 246,884</u>

Rent expense under this operating lease, as well as under a month-to-month office lease with another affiliated charitable organization, amounted to \$355,072 for the year ended December 31, 2010.

Other services provided by affiliated organizations include production, accounting, maintenance and parking which amounted to \$393,903 for the year ended December 31, 2010.

Since the Foundation's inception in 1993, it has received a total of \$428,732,466 in contributions through December 31, 2010, of which \$58,988,080 has been received from the Milken Family Foundation and affiliated organizations.

# PROSTATE CANCER FOUNDATION

## NOTES TO FINANCIAL STATEMENTS December 31, 2010

### NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2010 consist of the following:

Challenge Awards	\$ 5,000,000
Young Investigator Awards	1,339,844
Creativity Awards	<u>100,000</u>
<b><i>TOTAL TEMPORARILY RESTRICTED NET ASSETS</i></b>	<b><i><u>\$ 6,439,844</u></i></b>

### NOTE 9 - PENSION PLAN

The Foundation maintains a defined contribution pension plan, which is qualified under Section 403(b) of the Internal Revenue Code. The plan covers all full-time employees and the plan provides for discretionary matching of up to 1% of each participant's compensation, which vests immediately. Employees may make contributions to the plan up to the maximum annual amount allowed by the Internal Revenue Code. Pension expense charged to operations for the year ended December 31, 2010 was \$20,723.