

PROSTATE CANCER FOUNDATION

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

PROSTATE CANCER FOUNDATION
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Prostate Cancer Foundation

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Prostate Cancer Foundation, which comprise the consolidated statement of financial position as of December 31, 2013 and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Prostate Cancer Foundation as of December 31, 2013, and the changes in its consolidated net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
Prostate Cancer Foundation

Report on Summarized Comparative Information

We have previously audited Prostate Cancer Foundation's 2012 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated April 3, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Green Hasson & Janks LLP

April 25, 2014
Los Angeles, California

PROSTATE CANCER FOUNDATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2013

With Summarized Totals at December 31, 2012

	Unrestricted	Temporarily Restricted	2013 Total	2012 Total
ASSETS				
Cash and Cash Equivalents	\$ 29,256,414	\$ -	\$ 29,256,414	\$ 25,688,908
Pledges Receivable (Net)	23,361,760	4,850,000	28,211,760	28,173,165
Prepaid Expenses and Other Assets	122,461	-	122,461	261,552
Property and Equipment (Net)	243,089	-	243,089	357,604
	TOTAL ASSETS	\$ 4,850,000	\$ 57,833,724	\$ 54,481,229
LIABILITIES AND NET ASSETS				
LIABILITIES:				
Accounts Payable	\$ 211,092	\$ -	\$ 211,092	\$ 74,155
Accrued Liabilities	1,260,308	-	1,260,308	1,012,846
Deferred Revenue	500,000	-	500,000	600,000
Grants Payable	18,062,430	-	18,062,430	19,085,239
	TOTAL LIABILITIES	-	20,033,830	20,772,240
NET ASSETS:				
Unrestricted	32,949,894	-	32,949,894	29,775,656
Temporarily Restricted	-	4,850,000	4,850,000	3,933,333
	TOTAL NET ASSETS	4,850,000	37,799,894	33,708,989
	TOTAL LIABILITIES AND NET ASSETS	\$ 4,850,000	\$ 57,833,724	\$ 54,481,229

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

PROSTATE CANCER FOUNDATION

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended December 31, 2013

With Summarized Totals for the Year Ended December 31, 2012

	Unrestricted	Temporarily Restricted	2013 Total	2012 Total
REVENUE AND PUBLIC SUPPORT:				
Grants and Contributions	\$ 46,483,088	\$ 4,100,000	\$ 50,583,088	\$ 46,852,610
Interest and Dividends	47,462	-	47,462	107,286
Other Income (Loss)	(68,027)	-	(68,027)	112,182
Net Assets Released from Purpose Restrictions	3,183,333	(3,183,333)	-	-
<i>TOTAL REVENUE AND PUBLIC SUPPORT</i>	49,645,856	916,667	50,562,523	47,072,078
EXPENSES:				
Program Services	38,853,550	-	38,853,550	37,258,841
Supporting Services:				
Management and General	2,874,788	-	2,874,788	2,903,220
Fundraising	4,743,280	-	4,743,280	3,749,722
<i>TOTAL EXPENSES</i>	46,471,618	-	46,471,618	43,911,783
<i>CHANGE IN NET ASSETS</i>	3,174,238	916,667	4,090,905	3,160,295
Net Assets - Beginning of Year	29,775,656	3,933,333	33,708,989	30,548,694
<i>NET ASSETS - END OF YEAR</i>	<u>\$ 32,949,894</u>	<u>\$ 4,850,000</u>	<u>\$ 37,799,894</u>	<u>\$ 33,708,989</u>

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

PROSTATE CANCER FOUNDATION

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2013
With Summarized Totals for the Year Ended December 31, 2012

	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		2013	2012
Research Grants	\$ 31,534,259	\$ -	\$ -	\$ 31,534,259	\$ -	\$ -	\$ -	\$ 31,534,259	\$ 30,020,666
Compensation, Benefits and Payroll Taxes	-	1,648,193	1,188,426	2,836,619	1,431,171	950,428	2,381,599	5,218,218	5,481,258
Professional Fees	-	222,981	400,144	623,125	335,460	170,332	505,792	1,128,917	822,502
Office Expenses	-	77,326	91,982	169,308	552,400	336,800	889,200	1,058,508	1,231,217
Occupancy	-	49,747	80,071	129,818	132,559	43,316	175,875	305,693	398,614
Travel, Meals and Entertainment	-	33,853	130,634	164,487	16,427	1,173,901	1,190,328	1,354,815	1,556,922
Global Scientific Conferences and Unpublished Data and Knowledge Exchanges	-	2,342,685	-	2,342,685	-	-	-	2,342,685	1,943,650
Outreach, Events and Meetings	-	-	663,874	663,874	-	2,058,567	2,058,567	2,722,441	1,674,723
Media, Public Relations and Publications	-	448	167,059	167,507	23,093	-	23,093	190,600	275,236
Depreciation and Amortization	-	11,169	197,699	208,868	41,928	9,936	51,864	260,732	360,313
Other Expenses	-	-	13,000	13,000	341,750	-	341,750	354,750	146,682
TOTAL 2013 FUNCTIONAL EXPENSES	\$ 31,534,259	\$ 4,386,402	\$ 2,932,889	\$ 38,853,550	\$ 2,874,788	\$ 4,743,280	\$ 7,618,068	\$ 46,471,618	
				84%	6%	10%		100%	
TOTAL 2012 FUNCTIONAL EXPENSES	\$ 30,020,666	\$ 3,668,870	\$ 3,569,305	\$ 37,258,841	\$ 2,903,220	\$ 3,749,722	\$ 6,652,942		\$ 43,911,783
				85%	7%	8%			100%

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

PROSTATE CANCER FOUNDATION

CONSOLIDATED STATEMENT OF CASH FLOWS Year Ended December 31, 2013 With Summarized Totals for the Year Ended December 31, 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 4,090,905	\$ 3,160,295
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Uncollectible Pledges Receivable	340,250	122,432
Depreciation and Amortization	260,732	360,313
(Increase) Decrease in:		
Pledges Receivable	(378,845)	(9,703,134)
Prepaid Expenses and Other Assets	139,091	(69,331)
Increase (Decrease) in:		
Accounts Payable	136,937	(206,621)
Accrued Liabilities	247,462	(153,738)
Deferred Revenue	(100,000)	600,000
Grants Payable	(1,022,809)	84,056
<i>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</i>	3,713,723	(5,805,728)
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Purchase of Property and Equipment	(146,217)	(74,050)
<i>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</i>	3,567,506	(5,879,778)
Cash and Cash Equivalents - Beginning of Year	25,688,908	31,568,686
<i>CASH AND CASH EQUIVALENTS - END OF YEAR</i>	\$ 29,256,414	\$ 25,688,908

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

PROSTATE CANCER FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013

NOTE 1 - NATURE OF ORGANIZATION

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

The Coalition to Cure Prostate Cancer (the Coalition) was incorporated under the Canada Corporations Act during April 2011. The Coalition was granted charitable registration effective June 15, 2011. The Coalition's mission is to pursue research and clinical study related to prostate and related cancers and to disseminate research reports and other educational materials related to such cancers.

The Coalition is an affiliate of the Prostate Cancer Foundation. Pursuant to the terms of a service agreement, the Prostate Cancer Foundation has agreed to provide certain pro bono services to the Coalition, including communications and fundraising support, program service and financial administration, and facilities. In addition, the Prostate Cancer Foundation has extended a guaranty to the Coalition for up to a maximum of \$100,000 to ensure that the Coalition will be able at all times to fund research awards approved by the Coalition's Board of Directors.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Prostate Cancer Foundation and the Coalition to Cure Prostate Cancer (collectively, the Foundation). All inter-organization balances and transactions have been eliminated on consolidation.

(b) BASIS OF PRESENTATION

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

(c) 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.

PROSTATE CANCER FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) ACCOUNTING (continued)

- **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 consolidated 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 had \$4,850,000 of temporarily restricted net assets at December 31, 2013.
- **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 had no permanently restricted net assets at December 31, 2013.

(d) 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, 2013 approximates its fair value.

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.

(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. Management evaluated the collectability of pledges receivable and provided an allowance for uncollectible pledges of \$500,000 at December 31, 2013.

PROSTATE CANCER FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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:

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

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, 2013.

(h) DEFERRED REVENUE

Sponsorships are recognized and reported in the period the related event is held. Sponsorships collected in advance of the event are deferred.

(i) 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.

(j) INCOME TAXES

The Prostate Cancer Foundation is exempt from federal taxation under Internal Revenue Code Section 501(c)(3) and the corresponding California provisions. The Coalition has met the requirements for charitable registration and tax exemption under the Income Tax Act of Canada.

PROSTATE CANCER FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) FOREIGN CURRENCY

The accounts of the Coalition are maintained in its functional currency, which is the Canadian dollar. Assets have been translated into the reporting currency at year end exchange rates, and related revenues have been translated at average rates of exchange in effect during the year. The currency exchange loss resulting from the translation amounted to \$76,275 and is included in other income (loss) in the consolidated statement of activities for the year ended December 31, 2013.

(l) FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the Foundation's programs and other activities have been presented in the consolidated statements 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.

(m) USE OF ESTIMATES

The preparation of consolidated 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.

(n) COMPARATIVE TOTALS

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's consolidated financial statements for the year ended December 31, 2012 from which the summarized information was derived.

(o) SUBSEQUENT EVENTS

The Foundation has evaluated events and transactions occurring subsequent to the consolidated statement of financial position date of December 31, 2013 for items that should potentially be recognized or disclosed in these consolidated financial statements. The evaluation was conducted through April 25, 2014, the date these consolidated financial statements were available to be issued. No such material events or transactions were noted to have occurred.

PROSTATE CANCER FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2013

NOTE 3 - PLEDGES RECEIVABLE

Pledges receivable are expected to be collected as follows:

To Be Received in Less than One Year	\$ 23,726,200
To Be Received in One to Five Years	<u>5,414,900</u>
TOTAL PLEDGES RECEIVABLE	29,141,100
Less: Present Value Discount	(429,340)
Less: Allowance for Uncollectible Pledges	<u>(500,000)</u>
PLEDGES RECEIVABLE (NET)	<u><u>\$ 28,211,760</u></u>

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Computer Software	\$ 1,046,475
Leasehold Improvements	246,891
Computer and Office Equipment	485,312
Furniture and Fixtures	<u>56,401</u>
TOTAL	1,835,079
Less: Accumulated Depreciation	<u>(1,591,990)</u>
PROPERTY AND EQUIPMENT (NET)	<u><u>\$ 243,089</u></u>

Depreciation and amortization expense for the year ended December 31, 2013 was \$260,732.

NOTE 5 - GRANTS PAYABLE

The following is a summary of grants authorized and payable:

To Be Paid in Less than One Year	\$ 11,122,029
To Be Paid in One to Five Years	<u>6,940,401</u>
TOTAL GRANTS PAYABLE	<u><u>\$ 18,062,430</u></u>

PROSTATE CANCER FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013

NOTE 6 - RELATED PARTY TRANSACTIONS

The Foundation leases office space from affiliated charitable organizations under operating leases through December 2015. The following is a schedule of future minimum lease payments under these operating leases as of December 31, 2013:

Years Ending December 31

2014	\$	276,430
2015		<u>281,959</u>
TOTAL	\$	<u>558,389</u>

Rent expense under these operating leases amounted to \$270,560 for the year ended December 31, 2013.

Other services provided by affiliated organizations include production, accounting, maintenance and parking which amounted to \$249,711 for the year ended December 31, 2013.

Since the Foundation's inception in 1993 through December 31, 2013, it has received a total of \$60,932,638 in contributions from the Milken Family Foundation and affiliated organizations. At December 31, 2013 the Foundation has \$975,000 of pledges receivable due from the Milken Family Foundation and affiliated organizations.

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for the following purposes at December 31, 2013:

Challenge Awards	\$	750,000
New York Dinner All-Stars		2,000,000
Young Investigator Awards		<u>2,100,000</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	\$	<u>4,850,000</u>

NOTE 8 - 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 2% 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, 2013 was \$46,730.

PROSTATE CANCER FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2013

NOTE 9 - ALLOCATION OF JOINT COSTS

The Foundation conducted direct mail campaigns and other public awareness and advocacy events that included requests for contributions as well as program components. The costs of conducting these activities included joint costs totaling \$1,221,096 for the year ended December 31, 2013.

The joint costs for these activities were allocated as follows:

Program Services	\$	594,921
Management and General		20,686
Fundraising		<u>605,489</u>
<i>TOTAL</i>	\$	<u>1,221,096</u>