

PROSTATE CANCER FOUNDATION

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

PROSTATE CANCER FOUNDATION
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YEAR ENDED DECEMBER 31, 2014

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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, 2014 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 Consolidated 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, 2014, 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 2013 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated April 25, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Green Hasson & Janks LLP

June 9, 2015
Los Angeles, California

PROSTATE CANCER FOUNDATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2014

With Summarized Totals at December 31, 2013

	Unrestricted	Temporarily Restricted	2014 Total	2013 Total
ASSETS				
Cash and Cash Equivalents	\$ 29,828,888	\$ -	\$ 29,828,888	\$ 29,256,414
Pledges Receivable (Net)	21,275,145	4,820,000	26,095,145	28,211,760
Prepaid Expenses and Other Assets	123,052	-	123,052	122,461
Property and Equipment (Net)	156,906	-	156,906	243,089
TOTAL ASSETS	\$ 51,383,991	\$ 4,820,000	\$ 56,203,991	\$ 57,833,724
LIABILITIES AND NET ASSETS				
LIABILITIES:				
Accounts Payable	\$ 1,139,495	\$ -	\$ 1,139,495	\$ 211,092
Accrued Liabilities	988,542	-	988,542	1,260,308
Deferred Revenue	400,000	-	400,000	500,000
Grants Payable	21,907,606	-	21,907,606	18,062,430
TOTAL LIABILITIES	24,435,643	-	24,435,643	20,033,830
NET ASSETS:				
Unrestricted	26,948,348	-	26,948,348	32,949,894
Temporarily Restricted	-	4,820,000	4,820,000	4,850,000
TOTAL NET ASSETS	26,948,348	4,820,000	31,768,348	37,799,894
TOTAL LIABILITIES AND NET ASSETS	\$ 51,383,991	\$ 4,820,000	\$ 56,203,991	\$ 57,833,724

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

PROSTATE CANCER FOUNDATION

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended December 31, 2014

With Summarized Totals for the Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	2014 Total	2013 Total
REVENUE AND PUBLIC SUPPORT:				
Grants and Contributions	\$ 34,382,776	\$ 6,950,000	\$ 41,332,776	\$ 50,583,088
Interest and Dividends	36,488	-	36,488	47,462
Other	(142,265)	-	(142,265)	(68,027)
Net Assets Released from Purpose Restrictions	6,980,000	(6,980,000)	-	-
<i>TOTAL REVENUE AND PUBLIC SUPPORT</i>	41,256,999	(30,000)	41,226,999	50,562,523
EXPENSES:				
Program Services	39,455,799	-	39,455,799	38,853,550
Supporting Services:				
Management and General	3,019,886	-	3,019,886	2,874,788
Fundraising	4,782,860	-	4,782,860	4,743,280
<i>TOTAL EXPENSES</i>	47,258,545	-	47,258,545	46,471,618
<i>CHANGE IN NET ASSETS</i>	(6,001,546)	(30,000)	(6,031,546)	4,090,905
Net Assets - Beginning of Year	32,949,894	4,850,000	37,799,894	33,708,989
<i>NET ASSETS - END OF YEAR</i>	<u>\$ 26,948,348</u>	<u>\$ 4,820,000</u>	<u>\$ 31,768,348</u>	<u>\$ 37,799,894</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, 2014
With Summarized Totals for the Year Ended December 31, 2013

	Program Services			Total Program Services	Supporting Services		Total Supporting Services	Total Expenses	
	Research Grants	Scientific Conferences and Programs	Public Awareness		Management and General	Fundraising		2014	2013
Research Grants	\$ 31,727,332	\$ -	\$ -	\$ 31,727,332	\$ -	\$ -	\$ -	\$ 31,727,332	\$ 31,534,259
Compensation, Benefits and Payroll Taxes	-	1,749,030	983,573	2,732,603	1,458,279	1,117,196	2,575,475	5,308,078	5,218,218
Professional Fees	-	232,241	606,183	838,424	363,176	217,976	581,152	1,419,576	1,128,917
Office Expenses	-	190,630	129,514	320,144	493,140	358,094	851,234	1,171,378	1,058,508
Occupancy	-	52,986	80,403	133,389	188,120	41,097	229,217	362,606	305,693
Travel, Meals and Entertainment	-	2,197	146,004	148,201	21,590	945,874	967,464	1,115,665	1,354,815
Global Scientific Conferences and Unpublished Data and Knowledge Exchanges	-	2,191,332	-	2,191,332	-	-	-	2,191,332	2,342,685
Outreach, Events and Meetings	-	-	647,055	647,055	-	2,092,239	2,092,239	2,739,294	2,722,441
Media, Public Relations and Publications	-	-	602,823	602,823	13,928	784	14,712	617,535	190,600
Depreciation and Amortization	-	12,000	102,496	114,496	31,653	9,600	41,253	155,749	260,732
Other Expenses	-	-	-	-	450,000	-	450,000	450,000	354,750
TOTAL 2014 FUNCTIONAL EXPENSES	\$ 31,727,332	\$ 4,430,416	\$ 3,298,051	\$ 39,455,799	\$ 3,019,886	\$ 4,782,860	\$ 7,802,746	\$ 47,258,545	
				84%	6%	10%		100%	
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%

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

PROSTATE CANCER FOUNDATION

CONSOLIDATED STATEMENT OF CASH FLOWS Year Ended December 31, 2014 With Summarized Totals for the Year Ended December 31, 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ (6,031,546)	\$ 4,090,905
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Uncollectible Pledges Receivable	450,000	340,250
Depreciation and Amortization	155,749	260,732
(Increase) Decrease in:		
Pledges Receivable	1,666,615	(378,845)
Prepaid Expenses and Other Assets	(591)	139,091
Increase (Decrease) in:		
Accounts Payable	928,403	136,937
Accrued Liabilities	(271,766)	247,462
Deferred Revenue	(100,000)	(100,000)
Grants Payable	3,845,176	(1,022,809)
NET CASH PROVIDED BY OPERATING ACTIVITIES	642,040	3,713,723
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Purchase of Property and Equipment	(69,566)	(146,217)
NET INCREASE IN CASH AND CASH EQUIVALENTS	572,474	3,567,506
Cash and Cash Equivalents - Beginning of Year	29,256,414	25,688,908
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 29,828,888	\$ 29,256,414

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

PROSTATE CANCER FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2014

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 studies 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. 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, 2014

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 \$4,820,000 of temporarily restricted net assets at December 31, 2014.
- **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, 2014.

(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, 2014 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, 2014.

PROSTATE CANCER FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014

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, 2014.

(h) DEFERRED REVENUE

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

(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, 2014

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 \$139,808 and is included in other income (loss) in the consolidated statement of activities for the year ended December 31, 2014.

(l) FUNCTIONAL ALLOCATION OF EXPENSES

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

(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. Such information should be read in conjunction with the Foundation's consolidated financial statements for the year ended December 31, 2013 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, 2014 for items that should potentially be recognized or disclosed in these consolidated financial statements. The evaluation was conducted through June 9, 2015, 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, 2014

NOTE 3 - PLEDGES RECEIVABLE

Pledges receivable are expected to be collected as follows:

To Be Received in Less than One Year	\$ 16,422,385
To Be Received in One to Five Years	<u>10,636,685</u>
TOTAL PLEDGES RECEIVABLE	27,059,070
Less: Present Value Discount	(463,925)
Less: Allowance for Uncollectible Pledges	<u>(500,000)</u>
PLEDGES RECEIVABLE (NET)	<u><u>\$ 26,095,145</u></u>

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Computer Software	\$ 1,091,229
Leasehold Improvements	246,891
Computer and Office Equipment	510,124
Furniture and Fixtures	<u>56,401</u>
TOTAL	1,904,645
Less: Accumulated Depreciation	<u>(1,747,739)</u>
PROPERTY AND EQUIPMENT (NET)	<u><u>\$ 156,906</u></u>

Depreciation and amortization expense for the year ended December 31, 2014 was \$155,749.

NOTE 5 - GRANTS PAYABLE

The following is a summary of grants authorized and payable:

To Be Paid in Less than One Year	\$ 16,989,080
To Be Paid in One to Five Years	<u>4,918,526</u>
TOTAL GRANTS PAYABLE	<u><u>\$ 21,907,606</u></u>

PROSTATE CANCER FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014

NOTE 6 - RELATED PARTY TRANSACTIONS

The Foundation leases office space from an affiliated charitable organization under an operating lease expiring December 2015. As of December 31, 2014, the minimum lease payments for the year ending December 31, 2015 under this operating lease are \$279,477. Rent expense under this operating lease amounted to \$273,644 for the year ended December 31, 2014.

Other services provided by affiliated organizations include production, accounting, maintenance and parking which amounted to \$553,438 for the year ended December 31, 2014.

Since the Foundation's inception in 1993 through December 31, 2014, it has received a total of \$61,834,138 in contributions from the Milken Family Foundation and affiliated organizations. At December 31, 2014 the Foundation has \$325,000 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, 2014:

Precision Oncology Program	\$ 3,070,000
Challenge Awards	1,000,000
Young Investigator Awards	<u>750,000</u>
<i>TOTAL TEMPORARILY RESTRICTED NET ASSETS</i>	<u><u>\$ 4,820,000</u></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, 2014 was \$41,088.

PROSTATE CANCER FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2014

NOTE 9 - ALLOCATION OF JOINT COSTS

The Foundation conducted direct mail campaigns and other public awareness events that included requests for contributions as well as program components. The costs of conducting these activities included joint costs totaling \$1,324,046 for the year ended December 31, 2014.

The joint costs for these activities were allocated as follows:

Program Services	\$	618,640
Management and General		10,486
Fundraising		<u>694,920</u>
<i>TOTAL</i>	\$	<u>1,324,046</u>