PROSTATE CANCER FOUNDATION

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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YEAR ENDED DECEMBER 31, 2012

CONTENTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Prostate Cancer Foundation

We have audited the accompanying consolidated financial statements of the Prostate Cancer Foundation (the Foundation), a nonprofit organization, which comprise the consolidated statement of financial position as of December 31, 2012, 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. The prior year summarized comparative information has been derived from the December 31, 2011 consolidated financial statements of the Foundation and in our report dated April 24, 2012, we expressed an unqualified opinion on those 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.

Auditors' 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 of 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 auditors' 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 opinion.

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Green Hasson & Janks LLP

April 3, 2013
Los Angeles, California

PROSTATE CANCER FOUNDATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2012
With Summarized Totals at December 31, 2011

	Unrestricted	Temporarily Restricted	2012 Total	2011 Total
ASSETS				
Cash and Cash Equivalents	$ 25,688,908	$ -	$ 25,688,908	$ 31,568,686
Pledges Receivable (Net)	24,239,832	3,933,333	28,173,165	18,592,463
Prepaid Expenses and Other Assets	261,552	-	261,552	192,221
Property and Equipment (Net)	357,604	-	357,604	643,867
TOTAL ASSETS	$ 50,547,896	$ 3,933,333	$ 54,481,229	$ 50,997,237
LIABILITIES AND NET ASSETS				
LIABILITIES:				
Accounts Payable	$ 74,155	$ -	$ 74,155	$ 280,776
Accrued Liabilities	1,012,846	-	1,012,846	1,166,584
Deferred Revenue	600,000	-	600,000	-
Grants Payable	19,085,239	-	19,085,239	19,001,183
TOTAL LIABILITIES	20,772,240	-	20,772,240	20,448,543
NET ASSETS:				
Unrestricted	29,775,656	-	29,775,656	24,598,694
Temporarily Restricted	-	3,933,333	3,933,333	5,950,000
TOTAL NET ASSETS	29,775,656	3,933,333	33,708,989	30,548,694
TOTAL LIABILITIES AND NET ASSETS	$ 50,547,896	$ 3,933,333	$ 54,481,229	$ 50,997,237

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

PROSTATE CANCER FOUNDATION

CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended December 31, 2012
With Summarized Totals for the Year Ended December 31, 2011

	Unrestricted	Temporarily Restricted	2012 Total	2011 Total
REVENUE AND PUBLIC SUPPORT:				
Grants and Contributions	$ 44,919,277	$ 1,933,333	$ 46,852,610	$ 43,112,099
Interest and Dividends	107,286	-	107,286	322,190
Other Income	112,182	-	112,182	-
Realized Loss on Investments	-	-	-	(349,600)
Net Assets Released from Purpose Restrictions	3,950,000	(3,950,000)	-	-
TOTAL REVENUE AND PUBLIC SUPPORT	49,088,745	(2,016,667)	47,072,078	43,084,689
EXPENSES:				
Program Services	37,258,841	-	37,258,841	33,841,169
Supporting Services:				
Management and General	2,903,220	-	2,903,220	3,217,658
Fundraising	3,749,722	-	3,749,722	5,778,002
TOTAL EXPENSES	43,911,783	-	43,911,783	42,836,829
CHANGE IN NET ASSETS	5,176,962	(2,016,667)	3,160,295	247,860
Net Assets - Beginning of Year	24,598,694	5,950,000	30,548,694	30,300,834
NET ASSETS - END OF YEAR	$ 29,775,656	$ 3,933,333	$ 33,708,989	$ 30,548,694

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

PROSTATE CANCER FOUNDATION

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2012
With Summarized Totals for the Year Ended December 31, 2011

	Program Services				Supporting Services			Total Expenses	
	Research Grants	Scientific Conferences and Programs	Public Awareness and Advocacy	Total Program Services	Management and General	Fundraising	Total Supporting Services	2012	2011
Research Grants	$ 30,020,666	$ -	$ -	$ 30,020,666	$ -	$ -	$ -	$ 30,020,666	$ 28,919,510
Compensation, Benefits and Payroll Taxes	-	1,464,907	1,357,853	2,822,760	1,760,655	897,843	2,658,498	5,481,258	4,840,434
Professional Fees	-	45,416	339,566	384,982	207,603	229,917	437,520	822,502	1,341,095
Office Expenses	-	71,761	118,818	190,579	537,684	502,954	1,040,638	1,231,217	760,925
Occupancy	-	31,880	145,838	177,718	180,236	40,660	220,896	398,614	399,286
Travel, Meals and Entertainment	-	101,702	193,171	294,873	15,504	1,246,545	1,262,049	1,556,922	900,528
Global Scientific Conferences and Unpublished Data and Knowledge Exchanges	-	1,943,650	-	1,943,650	-	-	-	1,943,650	1,005,225
Outreach, Events and Meetings	-	-	854,440	854,440	-	820,283	820,283	1,674,723	3,291,081
Media, Public Relations and Publications	-	914	240,652	241,566	33,670	-	33,670	275,236	417,163
Depreciation and Amortization	-	8,640	294,717	303,357	45,436	11,520	56,956	360,313	239,332
Other Expenses	-	-	24,250	24,250	122,432	-	122,432	146,682	722,250
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%	
TOTAL 2011 FUNCTIONAL EXPENSES	$ 28,919,510	$ 2,271,121	$ 2,650,538	$ 33,841,169	$ 3,217,658	$ 5,778,002	$ 8,995,660		$ 42,836,829
				79%	8%	13%			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, 2012
With Summarized Totals for the Year Ended December 31, 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	$ 3,160,295	$ 247,860
Adjustments to Reconcile Change in Net Assets		
to Net Cash Provided by (Used in) Operating Activities:		
Uncollectible Pledges Receivable	122,432	575,000
Realized Loss on Investments	-	349,600
Depreciation and Amortization	360,313	239,332
(Increase) Decrease in:		
Pledges Receivable	(9,703,134)	(3,725,387)
Prepaid Expenses and Other Assets	(69,331)	(70,246)
Increase (Decrease) in:		
Accounts Payable	(206,621)	63,201
Accrued Liabilities	(153,738)	533,757
Deferred Revenue	600,000	-
Grants Payable	84,056	3,938,139
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(5,805,728)	2,151,256
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Property and Equipment	(74,050)	(289,372)
Proceeds on Sale of Investments	-	12,205,658
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(74,050)	11,916,286
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,879,778)	14,067,542
Cash and Cash Equivalents - Beginning of Year	31,568,686	17,501,144
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 25,688,908	$ 31,568,686

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

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.

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 $3,933,333 of temporarily restricted net assets at December 31, 2012.

- **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, 2012.

(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, 2012 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, 2012.

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, 2012.

(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.

(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 gain resulting from the translation amounted to $70,578 and is included in other income in the consolidated statement of activities for the year ended December 31, 2012.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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) RECLASSIFICATION

For comparability, certain December 31, 2011 amounts have been reclassified, where appropriate, to conform to the financial statement presentation used at December 31, 2012.

(o) 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, 2011 from which the summarized information was derived.

(p) SUBSEQUENT EVENTS

The Foundation has evaluated events and transactions occurring subsequent to the consolidated statement of financial position date of December 31, 2012 for items that should potentially be recognized or disclosed in these consolidated financial statements. The evaluation was conducted through April 3, 2013, the date these consolidated financial statements were available to be issued. No such material events or transactions were noted to have occurred.

NOTE 3 - PLEDGES RECEIVABLE

Pledges receivable are expected to be collected as follows:

To Be Received in Less than One Year	$ 19,997,556
To Be Received in One to Five Years	9,085,400
TOTAL PLEDGES RECEIVABLE	29,082,956
Less: Present Value Discount	(409,791)
Less: Allowance for Uncollectible Pledges	(500,000)
PLEDGES RECEIVABLE (NET)	$ 28,173,165

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Computer Software	$ 1,037,783
Leasehold Improvements	246,891
Computer and Office Equipment	360,295
Furniture and Fixtures	43,893
TOTAL	1,688,862
Less: Accumulated Depreciation	(1,331,258)
PROPERTY AND EQUIPMENT (NET)	$ 357,604

Depreciation and amortization expense for the year ended December 31, 2012 was $360,313.

NOTE 5 - GRANTS PAYABLE

The following is a summary of grants authorized and payable:

To Be Paid in Less than One Year	$ 14,371,809
To Be Paid in One to Five Years	4,713,430
TOTAL GRANTS PAYABLE	$ 19,085,239

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, 2012:

Years Ending December 31	
2013	$ 271,010
2014	276,430
2015	281,959
TOTAL	$ 829,399

Rent expense under these operating leases amounted to $344,751 for the year ended December 31, 2012.

Other services provided by affiliated organizations include production, accounting, maintenance and parking which amounted to $235,306 for the year ended December 31, 2012.

Since the Foundation's inception in 1993 through December 31, 2012, it has received a total of $59,952,638 in contributions 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, 2012:

Challenge Awards	$ 2,000,000
Young Investigator Awards	1,933,333
TOTAL TEMPORARILY RESTRICTED NET ASSETS	$ 3,933,333

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, 2012 was $44,614.

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 $1,155,646 for the year ended December 31, 2012.

The joint costs for these activities were allocated as follows:

Program Services	$	553,636
Management and General		23,592
Fundraising		578,418
TOTAL	$	1,155,646