PROSTATE CANCER FOUNDATION

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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YEAR ENDED DECEMBER 31, 2016

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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, 2016 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, 2016, 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 2015 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated April 26, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Green Hasson & Janks LLP

April 28, 2017
Los Angeles, California

PROSTATE CANCER FOUNDATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2016
With Summarized Totals at December 31, 2015

	Unrestricted	Temporarily Restricted	2016 Total	2015 Total
ASSETS				
Cash and Cash Equivalents	$ 23,725,932	$ -	$ 23,725,932	$ 28,591,542
Pledges Receivable (Net)	21,762,684	6,688,362	28,451,046	24,138,663
Prepaid Expenses and Other Assets	203,481	-	203,481	118,578
Property and Equipment (Net)	709,738	-	709,738	130,304
TOTAL ASSETS	$ 46,401,835	$ 6,688,362	$ 53,090,197	$ 52,979,087
LIABILITIES AND NET ASSETS				
LIABILITIES:				
Accounts Payable	$ 730,582	$ -	$ 730,582	$ 263,203
Accrued Liabilities	1,364,526	-	1,364,526	1,309,901
Deferred Revenue	200,000	-	200,000	300,000
Grants Payable	20,442,238	-	20,442,238	21,355,345
TOTAL LIABILITIES	22,737,346	-	22,737,346	23,228,449
NET ASSETS:				
Unrestricted	23,664,489	-	23,664,489	25,166,638
Temporarily Restricted	-	6,688,362	6,688,362	4,584,000
TOTAL NET ASSETS	23,664,489	6,688,362	30,352,851	29,750,638
TOTAL LIABILITIES AND NET ASSETS	$ 46,401,835	$ 6,688,362	$ 53,090,197	$ 52,979,087

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

PROSTATE CANCER FOUNDATION

CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended December 31, 2016
With Summarized Totals for the Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	2016 Total	2015 Total
REVENUE AND PUBLIC SUPPORT:				
Grants and Contributions	$ 34,973,012	$ 6,688,362	$ 41,661,374	$ 41,047,944
Interest and Dividends	39,891	-	39,891	51,342
Other Income (Loss)	12,011	-	12,011	(76,401)
Net Assets Released from Purpose Restrictions	4,584,000	(4,584,000)	-	-
TOTAL REVENUE AND PUBLIC SUPPORT	39,608,914	2,104,362	41,713,276	41,022,885
EXPENSES:				
Program Services	33,707,242	-	33,707,242	35,447,340
Supporting Services:				
Management and General	3,189,662	-	3,189,662	2,439,994
Fundraising	4,214,159	-	4,214,159	5,153,261
TOTAL EXPENSES	41,111,063	-	41,111,063	43,040,595
CHANGE IN NET ASSETS	(1,502,149)	2,104,362	602,213	(2,017,710)
Net Assets - Beginning of Year	25,166,638	4,584,000	29,750,638	31,768,348
NET ASSETS - END OF YEAR	$ 23,664,489	$ 6,688,362	$ 30,352,851	$ 29,750,638

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

PROSTATE CANCER FOUNDATION

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2016
With Summarized Totals for the Year Ended December 31, 2015

	Program Services				Supporting Services			Total Expenses	
	Research Grants	Scientific Conferences and Programs	Public Awareness	Total Program Services	Management and General	Fundraising	Total Supporting Services	2016	2015
Research Grants	$ 25,193,943	$ -	$ -	$ 25,193,943	$ -	$ -	$ -	$ 25,193,943	$ 26,933,248
Compensation, Benefits and Payroll Taxes	-	1,637,987	2,072,403	3,710,390	1,654,928	893,551	2,548,479	6,258,869	4,805,909
Outreach, Events and Meetings	-	-	920,675	920,675	-	1,662,010	1,662,010	2,582,685	3,577,241
Global Scientific Conferences and Unpublished Data and Knowledge Exchanges	-	2,175,579	-	2,175,579	-	-	-	2,175,579	1,918,386
Travel, Meals and Entertainment	-	58,562	237,585	296,147	41,093	1,068,162	1,109,255	1,405,402	995,426
Professional Fees	-	201,443	684,387	885,830	313,759	190,624	504,383	1,390,213	1,369,442
Office Expenses	-	118,425	119,584	238,009	584,824	346,623	931,447	1,169,456	1,086,079
Occupancy	-	41,424	67,456	108,880	224,431	40,662	265,093	373,973	377,311
Other Expenses	-	-	-	-	311,000	-	311,000	311,000	-
Media, Public Relations and Publications	-	-	130,476	130,476	35,886	2,815	38,701	169,177	1,882,428
Depreciation and Amortization	-	30,747	16,566	47,313	23,741	9,712	33,453	80,766	95,125
TOTAL 2016 FUNCTIONAL EXPENSES	$ 25,193,943	$ 4,264,167	$ 4,249,132	$ 33,707,242	$ 3,189,662	$ 4,214,159	$ 7,403,821	$ 41,111,063	
				82%	8%	10%		100%	
TOTAL 2015 FUNCTIONAL EXPENSES	$ 26,933,248	$ 4,080,927	$ 4,433,165	$ 35,447,340	$ 2,439,994	$ 5,153,261	$ 7,593,255		$ 43,040,595
				83%	6%	12%			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, 2016
With Summarized Totals for the Year Ended December 31, 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	$ 602,213	$ (2,017,710)
Adjustments to Reconcile Change in Net Assets		
to Net Cash Used In Operating Activities:		
Uncollectible Pledges Receivable	311,000	-
Depreciation and Amortization	80,766	95,125
(Increase) Decrease in:		
Pledges Receivable	(4,623,383)	1,956,482
Prepaid Expenses and Other Assets	(84,903)	4,474
Increase (Decrease) in:		
Accounts Payable	467,379	(876,292)
Accrued Liabilities	54,625	321,359
Deferred Revenue	(100,000)	(100,000)
Grants Payable	(913,107)	(552,261)
NET CASH USED IN OPERATING ACTIVITIES	(4,205,410)	(1,168,823)
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Purchase of Property and Equipment	(660,200)	(68,523)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,865,610)	(1,237,346)
Cash and Cash Equivalents - Beginning of Year	28,591,542	29,828,888
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 23,725,932	$ 28,591,542

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 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.

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 $6,688,362 of temporarily restricted net assets at December 31, 2016.

- **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, 2016.

(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, 2016 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. Various discount rates ranging from 0.5% to 2.5% have been used to calculate the present value discount on pledges receivable.

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, 2016.

(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.

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 gain resulting from the translation amounted to $1,540 and is included in other income (loss) in the consolidated statement of activities for the year ended December 31, 2016.

(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, 2015 from which the summarized information was derived.

(o) NEW ACCOUNTING PRONOUNCEMENTS

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*, which is intended to reduce complexity in financial reporting. The ASU focuses on improving the current net asset classification requirements and information presented in financial statements that is useful in assessing a nonprofit’s liquidity, financial performance, and cash flows. For the Foundation, the ASU will be effective for the year ending December 31, 2018.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) NEW ACCOUNTING PRONOUNCEMENTS (continued)

In February 2016, FASB issued ASU No. 2016-02, *Leases*, which is intended to improve financial reporting about leasing transactions. The new standard will require organizations that lease assets with terms of more than 12 months to recognize on the statement of financial position the assets and liabilities for the rights and obligations created by those leases. The ASU also will require disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements and providing additional information about the amounts recorded in the financial statements. For the Foundation, the ASU will be effective for the year ending December 31, 2020.

(p) SUBSEQUENT EVENTS

The Foundation has evaluated events and transactions occurring subsequent to the consolidated statement of financial position date of December 31, 2016 for items that should potentially be recognized or disclosed in these consolidated financial statements. The evaluation was conducted through April 28, 2017, 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	$ 21,358,247
To Be Received in One to Five Years	8,688,362
TOTAL PLEDGES RECEIVABLE	30,046,609
Less: Present Value Discount	(607,890)
Less: Allowance for Uncollectible Pledges	(987,673)
PLEDGES RECEIVABLE (NET)	$ 28,451,046

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Computer Software	$ 1,819,953
Leasehold Improvements	246,891
Computer and Office Equipment	510,124
Furniture and Fixtures	56,401
TOTAL	2,633,369
Less: Accumulated Depreciation	(1,923,631)
PROPERTY AND EQUIPMENT (NET)	$ 709,738

Depreciation and amortization expense for the year ended December 31, 2016 was $80,766.

NOTE 5 - GRANTS PAYABLE

The following is a summary of grants authorized and payable:

To Be Paid in Less than One Year	$ 17,212,933
To Be Paid in One to Five Years	3,229,305
TOTAL GRANTS PAYABLE	$ 20,442,238

NOTE 6 - RELATED PARTY TRANSACTIONS

The Foundation leases office space at fair market value from an affiliated charitable organization under an operating lease which expired in December 2015 and continues on a month-to-month basis. Rent expense under this operating lease amounted to $282,466 for the year ended December 31, 2016.

Other services provided by affiliated organizations include production, accounting, maintenance and parking which amounted to $487,325 for the year ended December 31, 2016.

Since the Foundation's inception in 1993 through December 31, 2016, it has received a total of $63,599,288 in contributions from the Milken Family Foundation and affiliated organizations. At December 31, 2016 the Foundation has no pledge 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, 2016:

Challenge Awards	$	6,125,000
Young Investigator Awards		563,362
TOTAL TEMPORARILY RESTRICTED NET ASSETS	$	6,688,362

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 3% 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, 2016 was $78,727.

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 totaled $1,182,221 for the year ended December 31, 2016.

The joint costs for these activities were allocated as follows:

Program Services	$	568,620
Management and General		18,697
Fundraising		594,904
TOTAL	$	1,182,221