# PROSTATE CANCER FOUNDATION

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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CONSOLIDATED FINANCIAL STATEMENTS

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors
Prostate Cancer Foundation

**Opinion**

We have audited the consolidated financial statements of Prostate Cancer Foundation, which comprise the consolidated statement of financial position as of December 31, 2021, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Prostate Cancer Foundation as of December 31, 2021, 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.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of Prostate Cancer Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of Management for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Prostate Cancer Foundation's ability to continue as a going concern for one year after the date that the financial statements are issued.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Prostate Cancer Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Prostate Cancer Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

**Report on Summarized Comparative Information**
We have previously audited Prostate Cancer Foundation's 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated June 4, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Green Hasson & Janks LLP

August 8, 2022
Los Angeles, California

**PROSTATE CANCER FOUNDATION**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2021
With Summarized Totals at December 31, 2020

| | Without Donor Restrictions | With Donor Restrictions | 2021 Total | 2020 Total |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and Cash Equivalents | $ 30,580,550 | $ 7,996,389 | $ 38,576,939 | $ 17,643,456 |
| Pledges Receivable (Net) | 10,383,576 | 9,227,139 | 19,610,715 | 23,988,549 |
| Prepaid Expenses and Other Assets | 229,858 | - | 229,858 | 568,215 |
| Property and Equipment (Net) | 768,268 | - | 768,268 | 934,088 |
| Intangible Assets | 3,375,000 | - | 3,375,000 | - |
| ***TOTAL ASSETS*** | $ 45,337,252 | $ 17,223,528 | $ 62,560,780 | $ 43,134,308 |
| **LIABILITIES AND NET ASSETS** | | | | |
| **LIABILITIES:** | | | | |
| Accounts Payable | $ 723,595 | $ - | $ 723,595 | $ 859,733 |
| Accrued Liabilities | 1,706,796 | - | 1,706,796 | 1,264,458 |
| Grants Payable (Net) | 23,229,447 | - | 23,229,447 | 18,001,495 |
| Deferred Revenue | 50,000 | - | 50,000 | - |
| Note Payable | 2,531,250 | - | 2,531,250 | - |
| ***TOTAL LIABILITIES*** | 28,241,088 | - | 28,241,088 | 20,125,686 |
| **NET ASSETS:** | | | | |
| Without Donor Restrictions | 17,096,164 | - | 17,096,164 | 8,529,583 |
| With Donor Restrictions | - | 17,223,528 | 17,223,528 | 14,479,039 |
| ***TOTAL NET ASSETS*** | 17,096,164 | 17,223,528 | 34,319,692 | 23,008,622 |
| ***TOTAL LIABILITIES AND NET ASSETS*** | $ 45,337,252 | $ 17,223,528 | $ 62,560,780 | $ 43,134,308 |

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

**PROSTATE CANCER FOUNDATION**

CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended December 31, 2021
With Summarized Totals for the Year Ended December 31, 2020

| | Without Donor Restrictions | With Donor Restrictions | 2021 Total | 2020 Total |
|---|---|---|---|---|
| **REVENUE, PUBLIC SUPPORT AND OTHER INCOME** | | | | |
| Grants and Contributions | $ 39,729,903 | $ 12,673,528 | $ 52,403,431 | $ 35,040,987 |
| Other Income | 26,660 | - | 26,660 | 313,779 |
| Forgiveness of Paycheck Protection Program Loan | 895,750 | - | 895,750 | 820,000 |
| Net Assets Released from Donor Restrictions | 9,929,039 | (9,929,039) | - | - |
| ***TOTAL REVENUE, PUBLIC SUPPORT AND OTHER INCOME*** | 50,581,352 | 2,744,489 | 53,325,841 | 36,174,766 |
| **EXPENSES:** | | | | |
| Program Services | 33,592,472 | - | 33,592,472 | 28,717,051 |
| Supporting Services: | | | | |
| Management and General | 3,674,605 | - | 3,674,605 | 4,031,972 |
| Fundraising | 4,747,694 | - | 4,747,694 | 2,064,527 |
| ***TOTAL EXPENSES*** | 42,014,771 | - | 42,014,771 | 34,813,550 |
| ***CHANGE IN NET ASSETS*** | 8,566,581 | 2,744,489 | 11,311,070 | 1,361,216 |
| Net Assets - Beginning of Year | 8,529,583 | 14,479,039 | 23,008,622 | 21,647,406 |
| ***NET ASSETS - END OF YEAR*** | $ 17,096,164 | $ 17,223,528 | $ 34,319,692 | $ 23,008,622 |

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

## PROSTATE CANCER FOUNDATION

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2021
With Summarized Totals for the Year Ended December 31, 2020

| | Program Services | | | | Supporting Services | | | Total Expenses | |
|---|---|---|---|---|---|---|---|---|---|
| | Research Grants | Scientific Conferences and Programs | Public Awareness | Total Program Services | Management and General | Fundraising | Total Supporting Services | 2021 | 2020 |
| Research Grants | $ 26,339,252 | $ - | $ - | $ 26,339,252 | $ - | $ - | $ - | $ 26,339,252 | $ 21,704,208 |
| Compensation, Benefits and Payroll Taxes | - | 1,641,845 | 2,164,592 | 3,806,437 | 1,906,489 | 628,522 | 2,535,011 | 6,341,448 | 7,108,544 |
| Outreach, Events and Meetings | - | - | 991,352 | 991,352 | - | 2,669,795 | 2,669,795 | 3,661,147 | 1,052,290 |
| Professional Fees | - | 258,840 | 667,737 | 926,577 | 540,815 | 215,928 | 756,743 | 1,683,320 | 1,369,669 |
| Office Expenses and Other | - | 108,907 | 192,019 | 300,926 | 857,448 | 553,970 | 1,411,418 | 1,712,344 | 1,467,159 |
| Travel, Meals and Entertainment | - | 7,167 | 58,744 | 65,911 | 26,219 | 605,273 | 631,492 | 697,403 | 342,179 |
| Occupancy | - | 71,162 | 264,792 | 335,954 | 264,651 | 49,302 | 313,953 | 649,907 | 688,793 |
| Media, Public Relations and Publications | - | - | 500,532 | 500,532 | 19,303 | 11,056 | 30,359 | 530,891 | 479,648 |
| Global Scientific Conferences and Unpublished Data and Knowledge Exchanges | - | 233,239 | - | 233,239 | - | - | - | 233,239 | 383,634 |
| Depreciation and Amortization | - | 18,456 | 73,836 | 92,292 | 59,680 | 13,848 | 73,528 | 165,820 | 217,426 |
| ***TOTAL 2021 FUNCTIONAL EXPENSES*** | $ 26,339,252 | $ 2,339,616 | $ 4,913,604 | $ 33,592,472 | $ 3,674,605 | $ 4,747,694 | $ 8,422,299 | $ 42,014,771 | |
| | | | | 80% | 9% | 11% | | 100% | |
| *TOTAL 2020 FUNCTIONAL EXPENSES* | $ 21,704,208 | $ 2,434,560 | $ 4,578,283 | $ 28,717,051 | $ 4,031,972 | $ 2,064,527 | $ 6,096,499 | | $ 34,813,550 |
| | | | | 82% | 12% | 6% | | | 100% |

**PROSTATE CANCER FOUNDATION**

CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended December 31, 2021
With Summarized Totals for the Year Ended December 31, 2020

| | 2021 | 2020 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | |
| Change in Net Assets | $ 11,311,070 | $ 1,361,216 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities: | | |
| Forgiveness of Paycheck Protection Program Loan | (895,750) | (820,000) |
| Change in Present Value Discount on Pledges Receivable | (233,362) | (117,114) |
| Depreciation and Amortization | 165,820 | 217,426 |
| (Increase) Decrease in: | | |
| Pledges Receivable | 4,611,196 | 7,300,619 |
| Prepaid Expenses and Other Assets | 338,357 | (337,357) |
| Increase (Decrease) in: | | |
| Accounts Payable | (136,138) | 268,672 |
| Accrued Liabilities | 442,338 | (397,612) |
| Grants Payable | 5,227,952 | (4,367,536) |
| Deferred Revenue | 50,000 | - |
| ***NET CASH PROVIDED BY OPERATING ACTIVITIES*** | 20,881,483 | 3,108,314 |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | |
| Purchase of Property and Equipment | - | (35,706) |
| Purchase of Intangible Assets | (843,750) | |
| ***NET CASH USED IN INVESTING ACTIVITIES*** | (843,750) | (35,706) |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | |
| Proceeds from Paycheck Protection Program Loan | 895,750 | 820,000 |
| ***NET INCREASE IN CASH AND CASH EQUIVALENTS*** | 20,933,483 | 3,892,608 |
| Cash and Cash Equivalents - Beginning of Year | 17,643,456 | 13,750,848 |
| ***CASH AND CASH EQUIVALENTS - END OF YEAR*** | $ 38,576,939 | $ 17,643,456 |
| **SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES** | | |
| Fair Value of Assets Acquired: | | |
| Intangible Assets | $ 3,375,000 | $ - |
| Promissory Note Issued on Assets Acquisition | (2,531,250) | - |
| Cash Paid on Assets Acquisition | $ (843,750) | $ - |

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

## NOTE 1 - NATURE OF ORGANIZATION

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

Coalition to Cure Prostate Cancer (the Coalition) was incorporated in April 2011 under the Canada Corporations Act. 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 Prostate Cancer Foundation. Pursuant to the terms of a service agreement, Prostate Cancer Foundation agreed to provide certain pro bono services to the Coalition, including communications and fundraising support, program service and financial administration, and facilities. In addition, 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 to fund research awards approved by the Coalition's Board of Directors.

Digital Science Press LLC (DSP) was formed in December 2021 for the purposes of acquiring the assets of Digital Science Press Inc. DSP manages UroToday.com. UroToday.com, launched in 2002, is a global platform dedicated to delivering peer-to-peer content to meet the educational needs of medical oncologists, urologists, radiation oncologists, advanced practice providers, and other healthcare professionals who treat urologic diseases. UroToday has a global following reaching over 2M unique users per year, consuming over 8.1M pages of education content and meeting the needs of the genitourinary cancer space that requires continuous updating from clinical trials, conferences, and peer-reviewed publications. UroToday.com publishes evidence-based clinical content organized across the site by disease, treatments, and guidelines where the content is developed by active clinicians for their peers. Content is published each day on the website, emails are sent to registrants based upon their daily or weekly requests, and customized content emails on genitourinary oncology topics are sent 5 to 7 days per week, every week.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) PRINCIPLES OF CONSOLIDATION

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

### (b) BASIS OF PRESENTATION

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

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

**(c) NET ASSETS**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets without Donor Restrictions**. Net assets available for use in general operations and not subject to donor-imposed restrictions.

- **Net Assets with Donor Restrictions.** Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from donor restrictions.

**(d) CASH AND CASH EQUIVALENTS**

Cash and cash equivalents are short-term, highly liquid investments with original maturities of three months or less at the time of purchase. The carrying value of cash and cash equivalents at December 31, 2021, 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**

The Foundation recognizes grants and contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest are received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. In such situations, funds received in advance are recorded as deferred revenue.

Pledges are discounted to their present value when payments are expected in future periods exceeding one year. These discounts are recorded as reductions to contribution revenue and pledges receivable and are adjusted annually. A discount rate of 3% was used to calculate the present value discount on pledges receivable.

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

**(e) GRANTS, CONTRIBUTIONS AND PLEDGES RECEIVABLE** (continued)

The allowance for uncollectable pledges receivable is based on historical experience with the respective donors and a review of subsequent collections. At December 31, 2021, an allowance of $1,070,000 for uncollectable pledges receivable was deemed necessary by management.

**(f) PROPERTY AND EQUIPMENT**

Property and equipment are recorded at cost if purchased or at fair value on 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) INTANGIBLE ASSETS**

The Foundation determines the useful lives of identifiable intangible assets after considering the specific facts and circumstances related to each intangible asset. Factors considered when determining useful lives include the history of the asset and the Foundation's long-term strategy for the use of the asset. Intangible assets that are deemed to have definite lives are amortized, generally on a straight-line basis, over their useful lives. At December 31, 2021, intangible assets consist of the UroToday.com website recorded at fair value upon acquisition by DSP. The estimated useful life of these intangible assets is ten years.

**(h) 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 material impairment losses were recognized on long-lived assets during the year ended December 31, 2021.

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

### (i) PAYCHECK PROTECTION PROGRAM LOANS

The Foundation has elected to account for any forgivable loans received under the Paycheck Protection Program (PPP) provisions of the Coronavirus Aid, Relief, and Economic Security (CARES) Act as a debt instrument and to accrue interest on the outstanding loan balance. Additional interest at a market rate (due to the stated interest rate of the PPP loan being below market) is not imputed, as transactions, where interest rates are prescribed by governmental agencies, are excluded from the scope of the accounting guidance on imputing interest. The proceeds from such loans remain recorded as a liability until either (1) the loan is, in part or wholly, forgiven or the Foundation has been legally released, or (2) the Foundation repays the loan to the lender. Refer to Note 7 for PPP loan forgiveness.

### (j) GRANTS

Research grants are charged against operations when authorized by the Scientific Review Committee, provided the grant is not subject to significant future conditions. Conditional grants are recognized as grant expenses and as grants payable in the period in which the grantee substantially meets the terms of the conditions. The actual payment of the grant may not occur in the year of authorization.

### (k) INCOME TAXES

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. DSP, a single member limited liability corporation, is a disregarded entity for federal taxation purposes.

In accordance with the Financial Accounting Standards Board's (FASB) Accounting Standards Codification Topic No. 740, *Uncertainty in Income Taxes*, the Foundation recognizes the impact of tax positions in the consolidated financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. During the year ended December 31, 2021, the Foundation performed an evaluation of uncertain tax positions and did not note any matters that would require recognition in the consolidated financial statements or which might have an effect on its tax-exempt status.

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

**(l) FOREIGN CURRENCY**

The accounts of the Coalition are maintained in its functional currency, which is the Canadian dollar. Assets are translated into the reporting currency at year-end exchange rates, and related revenues are translated at average rates of exchange in effect during the year.

**(m) FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing the Foundation's programs and other activities are 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.

**(n) 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.

**(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. Such information should be read in conjunction with the Foundation's consolidated financial statements for the year ended December 31, 2020, from which the summarized information was derived.

**(p) NEW ACCOUNTING PRONOUNCEMENT**

In February 2016, FASB issued Accounting Standards Update (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 provide additional information about the amounts recorded in the financial statements. For the Foundation, the ASU will be effective for the year ending December 31, 2022.

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

### (q) SUBSEQUENT EVENTS

The Foundation has evaluated events and transactions occurring subsequent to the consolidated statement of financial position date of December 31, 2021, for items that should potentially be recognized or disclosed in these consolidated financial statements. The evaluation was conducted through August 8, 2022, 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 at December 31, 2021, are expected to be collected as follows:

| | |
|---|---|
| To Be Received in Less than One Year | $ 15,573,537 |
| To Be Received in One to Five Years | 5,873,527 |
| ***TOTAL PLEDGES RECEIVABLE*** | 21,447,064 |
| Less: Present Value Discount | (766,349) |
| Less: Allowance for Uncollectible Pledges | (1,070,000) |
| ***PLEDGES RECEIVABLE (NET)*** | $ 19,610,715 |

## NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2021:

| | |
|---|---|
| Computer Software | $ 2,351,757 |
| Leasehold Improvements | 1,072,625 |
| Computer and Office Equipment | 626,025 |
| Furniture and Fixtures | 254,821 |
| ***TOTAL PROPERTY AND EQUIPMENT*** | 4,305,228 |
| Less: Accumulated Depreciation | (3,536,960) |
| ***PROPERTY AND EQUIPMENT (NET)*** | $ 768,268 |

Depreciation and amortization expense for the year ended December 31, 2021, was $165,820.

## NOTE 5 - INTANGIBLE ASSETS

Intangible assets consist of the following at December 31, 2021:

| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
|---|---|---|---|
| Subject to Amortization: | | | |
| Website | $ 3,375,000 | $ - | $ 3,375,000 |
| ***TOTAL INTANGIBLE ASSETS*** | $ 3,375,000 | $ - | $ 3,375,000 |

Amortization expense for the next five years and thereafter is estimated to be as follows:

| **Years Ending December 31** | |
|---|---|
| 2022 | $ 337,500 |
| 2023 | 337,500 |
| 2024 | 337,500 |
| 2025 | 337,500 |
| 2026 | 337,500 |
| Thereafter | 1,687,500 |

## NOTE 6 - GRANTS PAYABLE

The following is a summary of grants authorized and payable at December 31, 2021:

| | |
|---|---|
| To Be Paid in Less than One Year | $ 17,102,633 |
| To Be Paid in One to Five Years | 6,183,824 |
| ***TOTAL GRANTS PAYABLE*** | 23,286,457 |
| Less: Present Value Discount | (57,010) |
| ***GRANTS PAYABLE (NET)*** | $ 23,229,447 |

## NOTE 7 - PAYCHECK PROTECTION PROGRAM LOANS

In January 2021, the Foundation applied for and received a second draw PPP loan in the amount of $895,750. The second draw PPP loan, administered by the Small Business Administration (SBA), carried interest at a fixed rate of 1.0% per annum, had a term of five years, and was unsecured and guaranteed by the SBA. Interest accrued on the loan beginning with the initial disbursement; however, payments of principal and interest were deferred until the lender's determination of the amount of forgiveness applied for by the borrower is approved by the SBA.

In November 2021, the Foundation submitted its application for forgiveness for the full amount of the second draw PPP loan. In December 2021, the loan was repaid to the lending institution by the SBA, and the Foundation accordingly received notification of full forgiveness of the second draw PPP loan and accrued interest. Accordingly, the Foundation recognized debt forgiveness income of $895,750 for the year ended December 31, 2021.

## NOTE 8 - NOTE PAYABLE

Note payable at December 31, 2021 consists of the following:

| | |
|---|---|
| Note Payable to Digital Science Press Inc., Payable in Annual Instalments of Principal and Interest, with an Annual Interest Rate of 4.5% and with the Final Instalment Due December 29, 2024 | $ 2,531,250 |

Future maturities of the note payable as of December 31, 2021 are as follows:

| **Years Ending December 31** | |
|---|---|
| 2022 | $ 843,750 |
| 2023 | 843,750 |
| 2024 | 843,750 |
| ***TOTAL*** | $ 2,531,250 |

## 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 4% 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, 2021, was $149,718.

## NOTE 10 - RELATED PARTY TRANSACTIONS

The Foundation leases office space at fair market value from an affiliated charitable organization under an operating lease agreement. The term of the lease is from January 2020 through December 2024, with minimum future lease payments of $553,236 annually through the end of the lease term. Rent expense under this operating lease amounted to $553,234 for the year ended December 31, 2021.

Other services provided by affiliated organizations include production, office services, maintenance, and parking, which totaled $339,029 for the year ended December 31, 2021.

Since the Foundation's inception in 1993 through December 31, 2021, it has received more than $78,500,000 in contributions from The Michael and Lori Milken Family Foundation, the Milken Family Foundation, and affiliated organizations and individuals.

## NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes at December 31, 2021:

| | |
|---|---|
| Centers of Excellence Awards | $ 5,550,000 |
| Young Investigator and Challenge Awards | 4,373,528 |
| Other Programs | 7,300,000 |
| ***TOTAL NET ASSETS WITH DONOR RESTRICTIONS*** | $ 17,223,528 |

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of the passage of time or other events specified by the donors as follows for the year ended December 31, 2021:

| | |
|---|---|
| Satisfaction of Purpose Restrictions | |
| Centers of Excellence Awards | $ 6,750,000 |
| Young Investigator and Challenge Awards | 3,179,039 |
| ***TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS*** | $ 9,929,039 |

## NOTE 12 - 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 $2,138,589 for the year ended December 31, 2021.

The joint costs for these activities were allocated as follows:

| | |
|---|---|
| Program Services | $ 1,153,881 |
| Management and General | 7,290 |
| Fundraising | 977,418 |
| ***TOTAL*** | $ 2,138,589 |

## NOTE 13 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The Foundation's financial assets available for general expenditures within one year of the consolidated statement of financial position date are summarized in the following table:

| | |
|---|---|
| Financial Assets at December 31, 2021: | |
| Cash and Cash Equivalents | $ 30,580,550 |
| Pledges Receivable (Net) | 10,383,576 |
| ***FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES WITHIN ONE YEAR*** | $ 40,964,126 |

The Foundation regularly monitors the liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. As part of the Foundation's liquidity management, it has the policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The Foundation has various sources of liquidity at its disposal, including cash and cash equivalents and pledges receivable. General expenditures are defined as including grants to be paid within one year of the date of the consolidated statement of financial position.

## NOTE 14 - ACQUISTION OF THE ASSETS OF DIGITAL SCIENCE PRESS INC.

Digital Science Press LLC (DSP) was formed in December 2021 for the purposes of acquiring the assets of Digital Science Press Inc. The acquisition was effective December 30, 2021 and the fair value of assets acquired and liabilities assumed are listed below. $843,750 of the purchase price of $3,375,000 was paid in cash, with a promissory note issued for the balance of $2,531,250 (see Note 8).

| | |
|---|---|
| Intangible Assets | $ 3,375,000 |
| ***TOTAL ASSETS ACQUIRED*** | 3,375,000 |
| Liabilities | - |
| ***PURCHASE PRICE*** | $ 3,375,000 |