PROSTATE CANCER FOUNDATION

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

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YEAR ENDED DECEMBER 31, 2019

CONTENTS

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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, 2019 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, 2019, 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

Emphasis of Matter

As discussed in Note 10 to the consolidated financial statements, the recent COVID-19 pandemic in the United States and worldwide has resulted in reduced economic activity and market declines. As the extent and duration of the future impact to Prostate Cancer Foundation are uncertain, no adjustments were necessary to the consolidated financial statements, and our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Prostate Cancer Foundation's 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated April 8, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Green Hasson & Janks LLP

May 15, 2020
Los Angeles, California

PROSTATE CANCER FOUNDATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2019
With Summarized Totals at December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
ASSETS				
Cash and Cash Equivalents	$ 9,875,775	$ 3,875,073	$ 13,750,848	$ 20,694,813
Pledges Receivable (Net)	16,439,127	14,732,927	31,172,054	27,619,136
Prepaid Expenses and Other Assets	230,858	-	230,858	1,009,073
Property and Equipment (Net)	1,115,808	-	1,115,808	1,660,133
TOTAL ASSETS	$ 27,661,568	$ 18,608,000	$ 46,269,568	$ 50,983,155
LIABILITIES AND NET ASSETS				
LIABILITIES:				
Accounts Payable	$ 591,061	$ -	$ 591,061	$ 783,154
Accrued Liabilities	1,662,070	-	1,662,070	2,348,474
Grants Payable	22,369,031	-	22,369,031	22,589,282
TOTAL LIABILITIES	24,622,162	-	24,622,162	25,720,910
NET ASSETS:				
Without Donor Restrictions	3,039,406	-	3,039,406	7,887,245
With Donor Restrictions	-	18,608,000	18,608,000	17,375,000
TOTAL NET ASSETS	3,039,406	18,608,000	21,647,406	25,262,245
TOTAL LIABILITIES AND NET ASSETS	$ 27,661,568	$ 18,608,000	$ 46,269,568	$ 50,983,155

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

PROSTATE CANCER FOUNDATION

CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended December 31, 2019
With Summarized Totals for the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
REVENUE AND PUBLIC SUPPORT:				
Grants and Contributions	$ 38,009,305	$ 7,208,000	$ 45,217,305	$ 42,068,134
Interest and Dividends	190,896	-	190,896	232,741
Other Loss	(688,762)	-	(688,762)	(274,082)
Net Assets Released from Donor Restrictions	5,975,000	(5,975,000)	-	-
TOTAL REVENUE AND PUBLIC SUPPORT	43,486,439	1,233,000	44,719,439	42,026,793
EXPENSES:				
Program Services	39,845,792	-	39,845,792	38,117,493
Supporting Services:				
Management and General	3,714,893	-	3,714,893	3,592,035
Fundraising	4,773,593	-	4,773,593	3,870,752
TOTAL EXPENSES	48,334,278	-	48,334,278	45,580,280
CHANGE IN NET ASSETS	(4,847,839)	1,233,000	(3,614,839)	(3,553,487)
Net Assets - Beginning of Year	7,887,245	17,375,000	25,262,245	28,815,732
NET ASSETS - END OF YEAR	$ 3,039,406	$ 18,608,000	$ 21,647,406	$ 25,262,245

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

PROSTATE CANCER FOUNDATION

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2019
With Summarized Totals for the Year Ended December 31, 2018

	Program Services				Supporting Services			Total Expenses	
	Research Grants	Scientific Conferences and Programs	Public Awareness	Total Program Services	Management and General	Fundraising	Total Supporting Services	2019	2018
Research Grants	$ 29,207,005	$ -	$ -	$ 29,207,005	$ -	$ -	$ -	$ 29,207,005	$ 28,275,948
Compensation, Benefits and Payroll Taxes	-	1,865,875	2,649,462	4,515,337	2,031,124	1,146,412	3,177,536	7,692,873	6,488,969
Outreach, Events and Meetings	-	-	1,162,163	1,162,163	-	1,239,406	1,239,406	2,401,569	2,541,434
Global Scientific Conferences and Unpublished Data and Knowledge Exchanges	-	2,174,354	-	2,174,354	-	-	-	2,174,354	2,091,212
Travel, Meals and Entertainment	-	58,819	276,197	335,016	121,505	1,545,876	1,667,381	2,002,397	1,517,650
Office Expenses	-	108,456	199,219	307,675	865,440	385,696	1,251,136	1,558,811	1,467,597
Professional Fees	-	194,066	623,435	817,501	305,913	212,591	518,504	1,336,005	1,464,074
Media, Public Relations and Publications	-	-	671,813	671,813	55,948	197,696	253,644	925,457	819,329
Depreciation and Amortization	-	18,672	457,724	476,396	82,940	14,004	96,944	573,340	546,830
Occupancy	-	42,804	135,728	178,532	252,023	31,912	283,935	462,467	367,237
TOTAL 2019 FUNCTIONAL EXPENSES	$ 29,207,005	$ 4,463,046	$ 6,175,741	$ 39,845,792	$ 3,714,893	$ 4,773,593	$ 8,488,486	$ 48,334,278	
				82%	8%	10%		100%	
TOTAL 2018 FUNCTIONAL EXPENSES	$ 28,275,948	$ 4,156,756	$ 5,684,789	$ 38,117,493	$ 3,592,035	$ 3,870,752	$ 7,462,787		$ 45,580,280
				84%	8%	8%			100%

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

PROSTATE CANCER FOUNDATION

CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended December 31, 2019
With Summarized Totals for the Year Ended December 31, 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	$ (3,614,839)	$ (3,553,487)
Adjustments to Reconcile Change in Net Assets		
to Net Cash Used In Operating Activities:		
Change in Present Value Discount on Pledges Receivable	(1,005)	415,854
Depreciation and Amortization	573,340	546,830
(Increase) Decrease in:		
Pledges Receivable	(3,551,913)	(438,565)
Prepaid Expenses and Other Assets	778,215	126,861
Increase (Decrease) in:		
Accounts Payable	(192,093)	(536,626)
Accrued Liabilities	(686,404)	331,769
Grants Payable	(220,251)	(23,564)
NET CASH USED IN OPERATING ACTIVITIES	(6,914,950)	(3,130,928)
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Purchase of Property and Equipment	(29,015)	(341,223)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(6,943,965)	(3,472,151)
Cash and Cash Equivalents - Beginning of Year	20,694,813	24,166,964
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 13,750,848	$ 20,694,813

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 a cure for prostate cancer.

The Coalition to Cure Prostate Cancer (the Coalition) was incorporated 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 the Prostate Cancer Foundation. Pursuant to the terms of a service agreement, the 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, 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 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 are prepared on the accrual basis of accounting.

(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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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, 2019 approximates its fair value. At December 31, 2019, the Foundation had $6,421,665 in money market mutual funds, which is included in cash and cash equivalents.

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.

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.

The allowance for uncollectable pledges receivable is based on historical experience with the respective donors and a review of subsequent collections. At December 31, 2019, an allowance of $862,200 for uncollectable pledges receivable was deemed necessary.

(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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 material impairment losses were recognized on long-lived assets during the year ended December 31, 2019.

(h) 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.

(i) 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.

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, 2019, 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.

(j) 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. No currency exchange gain or loss resulting from the translation was reported in the consolidated statement of activities for the year ended December 31, 2019.

(k) 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) 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.

(m) 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, 2018 from which the summarized information was derived.

(n) NEW ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, which improves and converges the revenue recognition requirements of U.S. GAAP and International Financial Reporting Standards. The ASU replaces the existing accounting standards for revenue recognition with a single comprehensive five-step model, which is intended to provide principles within a single framework for revenue recognition of transactions involving contracts with customers across all industries. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also requires more detailed disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The guidance has subsequently been amended through a series of ASUs between August 2015 and September 2017 to improve the operability and understandability of the implementation guidance on principal versus agent considerations, licensing implementation guidance, scope exceptions, and various other narrow aspects, as identified and addressed in such updates. The Foundation implemented the ASU during the year ended December 31, 2019. There was no impact to the Foundation's consolidated financial statements as a result of the implementation of the ASU.

In June 2018, FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify the accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance. The Foundation implemented this ASU during the year ended December 31, 2019 for contributions received. The Foundation deferred implementation of the ASU for contributions made until the year ended December 31, 2020, as permitted by the ASU.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) RECLASSIFICATION

For comparability, certain December 31, 2018 amounts have been reclassified, where appropriate, to conform with the presentation used at December 31, 2019.

(p) SUBSEQUENT EVENTS

The Foundation has evaluated events and transactions occurring subsequent to the consolidated statement of financial position date of December 31, 2019 for items that should potentially be recognized or disclosed in these consolidated financial statements. The evaluation was conducted through May 15, 2020, the date these consolidated financial statements were available to be issued. No such material events or transactions were noted to have occurred except as noted in Note 10.

NOTE 3 - PLEDGES RECEIVABLE

Pledges receivable at December 31, 2019 are expected to be collected as follows:

To Be Received in Less than One Year	$ 22,177,582
To Be Received in One to Five Years	10,973,497
TOTAL PLEDGES RECEIVABLE	33,151,079
Less: Present Value Discount	(1,116,825)
Less: Allowance for Uncollectible Pledges	(862,200)
PLEDGES RECEIVABLE (NET)	$ 31,172,054

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2019:

Computer Software	$ 2,353,610
Leasehold Improvements	1,072,625
Computer and Office Equipment	626,025
Furniture and Fixtures	217,261
TOTAL PROPERTY AND EQUIPMENT	4,269,521
Less: Accumulated Depreciation	(3,153,713)
PROPERTY AND EQUIPMENT (NET)	$ 1,115,808

Depreciation and amortization expense for the year ended December 31, 2019 was $573,340.

NOTE 5 - GRANTS PAYABLE

The following is a summary of grants authorized and payable at December 31, 2019:

To Be Paid in Less than One Year	$ 20,401,031
To Be Paid in One to Five Years	2,025,000
TOTAL GRANTS PAYABLE	22,426,031
Less: Present Value Discount	(57,000)
GRANTS PAYABLE (NET)	$ 22,369,031

NOTE 6 - RELATED PARTY TRANSACTIONS

The Foundation leases office space at fair market value from an affiliated charitable organization under a month-to-month operating lease. Rent expense under this operating lease amounted to $343,075 for the year ended December 31, 2019.

Other services provided by affiliated organizations include production, office services, maintenance and parking which totaled $502,698 for the year ended December 31, 2019.

Since the Foundation's inception in 1993 through December 31, 2019, it has received more than $65,000,000 in contributions from The Michael and Lori Milken Family Foundation, the Milken Family Foundation, and affiliated organizations.

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes at December 31, 2019:

Centers of Excellence Awards	$ 12,800,000
Young Investigator Awards	5,808,000
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	$ 18,608,000

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended December 31, 2019:

Satisfaction of Purpose Restrictions	
Centers of Excellence Awards	$ 4,500,000
Young Investigator Awards	1,475,000
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	$ 5,975,000

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 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, 2019 was $160,857.

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 $1,949,853 for the year ended December 31, 2019.

The joint costs for these activities were allocated as follows:

Program Services	$ 1,120,530
Management and General	39,693
Fundraising	789,630
TOTAL	$ 1,949,853

NOTE 10 - 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, 2019:	
Cash and Cash Equivalents	$ 9,875,775
Pledges Receivable (Net)	16,439,127
FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES WITHIN ONE YEAR	$ 26,314,902

The Foundation regularly monitors 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 a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Subsequent to year-end, an outbreak of a novel strain of coronavirus (COVID-19) surfaced in the United States and throughout the world, causing business disruption and significant market fluctuations, which may negatively impact the Foundation's operations. The scope and duration of this impact cannot be reasonably estimated at this time.

In April 2020, the Foundation received approval from a lending institution for funding of $820,000 under the Payroll Protection Program (PPP) provisions of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Under the terms of the PPP, the loan is unsecured, has a 2 year term, accrues interest at 1% per annum, and a portion of the loan may be forgiven if proceeds are used for specific business costs, as outlined in the PPP provisions and Small Business Administration guidance.