

AUDITED FINANCIAL STATEMENTS  
Prostate Cancer Foundation  
*Years ended December 31, 2003 and 2002*  
*with Report of Independent Auditors*

Prostate Cancer Foundation

Audited Financial Statements

Years ended December 31, 2003 and 2002

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## Report of Independent Auditors

Board of Directors  
Prostate Cancer Foundation

We have audited the statements of financial position of Prostate Cancer Foundation as of December 31, 2003 and 2002, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Prostate Cancer Foundation at December 31, 2003 and 2002, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

*Ernst & Young LLP*

April 22, 2004

Prostate Cancer Foundation  
Statements of Financial Position

	December 31	
	2003	2002
<b>Assets</b>		
Cash and cash equivalents	\$ 7,793,336	\$ 6,564,644
Pledges receivable	6,203,236	2,619,365
Marketable securities	63,985	3,025,619
Prepaid expenses	54,106	41,667
Other receivables	10,000	10,996
Furniture, equipment and improvements:		
Furniture and fixtures	392,521	392,521
Office equipment	599,789	569,103
Leasehold improvements	346,377	303,725
	1,338,687	1,265,349
Less accumulated depreciation	(1,035,770)	(970,360)
	302,917	294,989
Other assets	189,029	83,980
Total assets	\$ 14,616,609	\$ 12,641,260
 <b>Liabilities and net assets</b>		
Accounts payable	\$ 1,752,477	\$ 448,446
Research awards payable	6,556,433	4,925,000
Unrestricted net assets	6,307,699	7,267,814
Total liabilities and net assets	\$ 14,616,609	\$ 12,641,260

*See accompanying notes.*

## Prostate Cancer Foundation

### Statements of Activities

	<b>Year ended December 31</b>	
	<b>2003</b>	<b>2002</b>
Support and revenues:		
Donations	\$ 22,274,309	\$ 18,575,522
Net realized and unrealized loss on investments	(38,313)	(13,516)
Interest and other income	63,231	139,311
Total support and revenues	22,299,227	18,701,317
Program services:		
Research grants, association awards and donations	12,909,402	13,137,521
Scientific conferences	1,685,217	1,634,680
Public awareness and advocacy expense	1,104,146	899,646
Total program services	15,698,765	15,671,847
General and administrative expenses	2,336,591	2,115,329
Fundraising expenses	5,223,986	2,651,826
Total expenditures	23,259,342	20,439,002
Change in net assets	(960,115)	(1,737,685)
Net assets at beginning of year	7,267,814	9,005,499
Net assets at end of year	\$ 6,307,699	\$ 7,267,814

*See accompanying notes .*

Prostate Cancer Foundation

Statements of Cash Flows

	<b>Year ended December 31</b>	
	<b>2003</b>	<b>2002</b>
<b>Operating activities</b>		
Change in net assets	\$ (960,115)	\$ (1,737,685)
Adjustments to reconcile change in net assets to net cash provided by (used in) in operating activities:		
Depreciation and amortization	116,090	149,536
Donation of marketable securities	(1,318,920)	(3,253,854)
Net realized and unrealized loss on investments	38,313	13,516
Proceeds from sales of marketable securities	4,242,241	224,463
Changes in operating assets and liabilities:		
Pledges receivable	(3,583,871)	(1,538,452)
Prepaid expenses	(12,439)	(38,667)
Other receivables	996	26,762
Other assets	(155,729)	(52,601)
Accounts payable	1,304,031	(200,786)
Research awards payable	1,631,433	4,875,000
Net cash provided by (used in) in operating activities	<u>1,302,030</u>	<u>(1,532,768)</u>
<b>Investing activities</b>		
Purchase of furniture, equipment and improvements	(73,338)	(140,617)
Net cash used in investing activities	<u>(73,338)</u>	<u>(140,617)</u>
Net increase (decrease) in cash and cash equivalents	1,228,692	(1,673,385)
Cash and cash equivalents at beginning of year	6,564,644	8,238,029
Cash and cash equivalents at end of year	<u>\$ 7,793,336</u>	<u>\$ 6,564,644</u>

*See accompanying notes.*

# Prostate Cancer Foundation

## Notes to Financial Statements

December 31, 2003

### **1. Organization and Summary of Significant Accounting Policies**

#### **Organization**

Prostate Cancer Foundation is a California nonprofit public benefit corporation organized to make grants, support research and conduct activities relating to the treatment, prevention and cure of prostate cancer.

#### **Tax-Exempt Status**

Prostate Cancer Foundation has received determination letters from the Internal Revenue Service and the California Franchise Tax Board stating it qualifies as a publicly supported tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and applicable California provisions.

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions concerning the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

#### **Revenue Recognition**

Prostate Cancer Foundation records donations (contributions) on an accrual basis. In addition, Prostate Cancer Foundation records the following types of contributions, when they are received unconditionally, at their fair value: marketable securities, promises to give, certain contributed services and gifts of long-lived assets. Conditional contributions are recorded when the conditions on which they depend have been substantially met. Contributions are recorded net of estimated uncollectible amounts.

#### **Investments**

Investments in marketable securities, which consist mainly of equity securities, are stated at fair value. Fair value is determined based on quoted market prices. In the absence of market price quotations, the fair value of the investments is determined by other methods. The methods and procedures to value these investments may include, but are not limited to: (1) performing comparisons with prices of comparable or similar securities, (2) obtaining valuation-related

# Prostate Cancer Foundation

## Notes to Financial Statements (continued)

### 1. Organization and Summary of Significant Accounting Policies (continued)

#### Investments (continued)

information from issuers, and/or (3) other analytical data relating to the investment and using other available indications of value. If marketable securities are donated, they are typically sold or redeemed shortly after receipt. The net change in this amount is classified as an operating activity in the accompanying statements of cash flows.

#### Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and in banks and short-term, highly liquid investments with maturities of three months or less when purchased.

#### Furniture, Equipment, and Improvements

Fixed assets are stated at cost on the date of purchase. Depreciation and amortization is provided on a straight-line method over the estimated useful life of assets as follows:

Office equipment	5 years
Furniture and fixtures	7 years
Leasehold improvements	10 years

### 2. Pledges Receivable

Pledges receivable at December 31 are due to be collected as follows:

	<u>2003</u>	<u>2002</u>
Due in one year or less	\$ 5,320,589	\$ 918,500
Due after one year through five years	882,647	1,700,865
	<u>\$ 6,203,236</u>	<u>\$ 2,619,365</u>



## Prostate Cancer Foundation

### Notes to Financial Statements (continued)

#### **3. Cumulative Contributions**

Since Prostate Cancer Foundation's inception in 1993, it has received through December 31, 2003, a total of \$202,982,619 in contributions, of which \$54,370,165 was received from the Milken Family Foundation and related entities, directly and indirectly, and \$148,612,454 from the general public. Administrative costs have been offset by contributions from the Milken Family Foundation and related entities.

#### **4. Litigation**

Prostate Cancer Foundation is subject to legal proceedings and claims, which arise in the ordinary course of business. Although adverse decisions may occur, Prostate Cancer Foundation believes that the final disposition of such matters will not have a material effect on the financial position, results of operations or cash flows of Prostate Cancer Foundation.