

PANCREATIC CANCER ACTION NETWORK, INC.

**FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**



**WINDES & MCCLAUGHRY
ACCOUNTANCY CORPORATION**
Certified Public Accountants & Consultants

EXCEEDING EXPECTATIONS SINCE 1926

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Pancreatic Cancer Action Network, Inc.

We have audited the accompanying statements of financial position of Pancreatic Cancer Action Network, Inc. (the Organization) as of June 30, 2010 and 2009 and the related statements of activities, functional expenses 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 of America. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 Pancreatic Cancer Action Network, Inc. as of June 30, 2010 and 2009, 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 of America.

Long Beach, California
September 14, 2010

PANCREATIC CANCER ACTION NETWORK, INC.

STATEMENTS OF FINANCIAL POSITION

ASSETS

| | June 30, | |
|-----------------------------|----------------------------|----------------------------|
| | 2010 | 2009 |
| ASSETS | | |
| Cash and cash equivalents | \$ 76,514 | \$ 498,551 |
| Investments | 5,015,186 | 3,908,503 |
| Pledges receivable, net | 1,526,933 | 367,117 |
| Sundry receivables | 212,932 | 145,822 |
| Inventory | 81,212 | 82,175 |
| Prepaid expenses | 301,012 | 245,344 |
| Property and equipment, net | 539,106 | 360,421 |
| Other assets | 113,513 | 20,677 |
| TOTAL ASSETS | <u>\$ 7,866,408</u> | <u>\$ 5,628,610</u> |

LIABILITIES AND NET ASSETS

| | | |
|---|----------------------------|----------------------------|
| LIABILITIES | | |
| Accounts payable | \$ 491,790 | \$ 416,673 |
| Accrued expenses | 373,009 | 322,625 |
| Grant obligations | 1,241,747 | 640,750 |
| Capital lease obligations | 33,653 | 10,432 |
| | <u>2,140,199</u> | <u>1,390,480</u> |
| COMMITMENTS (Note 8) | | |
| NET ASSETS | | |
| Unrestricted | 4,411,773 | 3,737,067 |
| Temporarily restricted | 1,314,436 | 501,063 |
| | <u>5,726,209</u> | <u>4,238,130</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 7,866,408</u> | <u>\$ 5,628,610</u> |

The accompanying notes are an integral part of these statements.

PANCREATIC CANCER ACTION NETWORK, INC.

**STATEMENT OF ACTIVITIES
JUNE 30, 2010**

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|-----------------------------|
| REVENUE, GAINS AND OTHER SUPPORT | | | |
| Contributions | \$ 2,854,116 | \$ 2,733,299 | \$ 5,587,415 |
| Special events (net of direct costs of \$1,162,750) | 5,059,855 | 652,044 | 5,711,899 |
| Store sales, net | 161,384 | | 161,384 |
| Other income | 2,556 | | 2,556 |
| Investment return | 353,659 | | 353,659 |
| Net assets released from restrictions | <u>2,571,970</u> | (2,571,970) | <u> </u> |
| Total Revenue, Gains and Other Support | <u>11,003,540</u> | <u>813,373</u> | <u>11,816,913</u> |
| EXPENSES | | | |
| Program services: | | | |
| Research | 3,083,975 | | 3,083,975 |
| Advocacy | 1,442,993 | | 1,442,993 |
| Patient Services | 2,024,907 | | 2,024,907 |
| Community Outreach | 2,514,045 | | 2,514,045 |
| Total Program Services | <u>9,065,920</u> | | <u>9,065,920</u> |
| Supporting services: | | | |
| General and administrative | 341,283 | | 341,283 |
| Fund-raising | 921,631 | | 921,631 |
| Total Supporting Services | <u>1,262,914</u> | | <u>1,262,914</u> |
| Total Expenses | <u>10,328,834</u> | | <u>10,328,834</u> |
| INCREASE IN NET ASSETS | 674,706 | 813,373 | 1,488,079 |
| NET ASSETS AT BEGINNING OF YEAR | <u>3,737,067</u> | <u>501,063</u> | <u>4,238,130</u> |
| NET ASSETS AT END OF YEAR | <u>\$ 4,411,773</u> | <u>\$ 1,314,436</u> | <u>\$ 5,726,209</u> |

The accompanying notes are an integral part of these statements.

PANCREATIC CANCER ACTION NETWORK, INC.

**STATEMENT OF ACTIVITIES
JUNE 30, 2009**

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|-----------------------------|
| REVENUE, GAINS (LOSSES) AND OTHER SUPPORT | | | |
| Contributions | \$ 2,924,101 | \$ 1,140,338 | \$ 4,064,439 |
| Special events (net of direct costs of \$1,148,036) | 3,706,642 | 1,062,627 | 4,769,269 |
| Store sales, net | 170,737 | | 170,737 |
| Other income | | | |
| Investment return | (176,994) | | (176,994) |
| Net assets released from restrictions | <u>2,117,838</u> | <u>(2,117,838)</u> | <u> </u> |
| Total Revenue, Gains (Losses) and Other Support | <u>8,742,324</u> | <u>85,127</u> | <u>8,827,451</u> |
| EXPENSES | | | |
| Program services: | | | |
| Research | 2,024,543 | | 2,024,543 |
| Advocacy | 1,156,476 | | 1,156,476 |
| Patient Services | 1,828,122 | | 1,828,122 |
| Community Outreach | 1,971,928 | | 1,971,928 |
| Total Program Services | <u>6,981,069</u> | | <u>6,981,069</u> |
| Supporting services: | | | |
| General and administrative | 234,659 | | 234,659 |
| Fund-raising | 857,279 | | 857,279 |
| Total Supporting Services | <u>1,091,938</u> | | <u>1,091,938</u> |
| Total Expenses | <u>8,073,007</u> | | <u>8,073,007</u> |
| INCREASE IN NET ASSETS | 669,317 | 85,127 | 754,444 |
| NET ASSETS AT BEGINNING OF YEAR | <u>3,067,750</u> | <u>415,936</u> | <u>3,483,686</u> |
| NET ASSETS AT END OF YEAR | <u>\$ 3,737,067</u> | <u>\$ 501,063</u> | <u>\$ 4,238,130</u> |

The accompanying notes are an integral part of these statements.

PANCREATIC CANCER ACTION NETWORK, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010**

| | Program Services | | | | Total Program | Supporting Services | | | 2010 Total |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------------|-------------------|---------------------|----------------------|
| | Research | Advocacy | Patient Services | Community Outreach | | General and Administrative | Fund-raising | Total Supporting | |
| Salaries | \$ 453,067 | \$ 587,517 | \$ 939,959 | \$ 1,233,173 | \$ 3,213,716 | \$ 151,721 | \$ 408,200 | \$ 559,921 | \$ 3,773,637 |
| Payroll taxes | 32,193 | 41,651 | 66,219 | 87,604 | 227,667 | 26,414 | 28,904 | 55,318 | 282,985 |
| Employee benefits | 29,393 | 40,347 | 64,183 | 93,447 | 227,370 | 8,195 | 27,885 | 36,080 | 263,450 |
| | <u>514,653</u> | <u>669,515</u> | <u>1,070,361</u> | <u>1,414,224</u> | <u>3,668,753</u> | <u>186,330</u> | <u>464,989</u> | <u>651,319</u> | <u>4,320,072</u> |
| Research grants and fees | 2,239,421 | | | | 2,239,421 | | | | 2,239,421 |
| Grantee development and mentoring | 58,630 | | | | 58,630 | | | | 58,630 |
| Conferences | 25,526 | 4,447 | 37,168 | 72 | 67,213 | 5,319 | 5,458 | 10,777 | 77,990 |
| Workshops | 21,137 | 230,095 | 224,086 | 279,662 | 754,980 | | | | 754,980 |
| Special events | | | | | | | 78,441 | 78,441 | 78,441 |
| Public relations professional fees | 9,667 | 102,403 | 18,274 | 22,712 | 153,056 | 2,760 | 20,521 | 23,281 | 176,337 |
| Accounting, legal and regulatory fees | 5,765 | 8,760 | 12,733 | 16,499 | 43,757 | 1,967 | 8,190 | 10,157 | 53,914 |
| Other professional fees | 32,640 | 48,067 | 112,808 | 91,636 | 285,151 | 1,931 | 36,214 | 38,145 | 323,296 |
| Advertising | 7,156 | 56,826 | 17,631 | 20,827 | 102,440 | 5,655 | 11,028 | 16,683 | 119,123 |
| Insurance | 2,633 | 3,869 | 5,482 | 25,562 | 37,546 | 869 | 2,341 | 3,210 | 40,756 |
| Finance charges | 43,099 | 56,536 | 92,694 | 117,988 | 310,317 | 42,190 | 46,782 | 88,972 | 399,289 |
| Occupancy | 30,803 | 99,521 | 134,599 | 84,670 | 349,593 | 10,259 | 27,956 | 38,215 | 387,808 |
| Voice and data communication | 5,826 | 10,120 | 13,055 | 21,277 | 50,278 | 1,105 | 5,669 | 6,774 | 57,052 |
| Information technology | 9,733 | 27,072 | 25,342 | 70,079 | 132,226 | 3,307 | 8,861 | 12,168 | 144,394 |
| Supplies | 5,005 | 7,430 | 16,114 | 24,439 | 52,988 | 1,553 | 8,295 | 9,848 | 62,836 |
| Printing | 15,718 | 20,693 | 112,059 | 68,710 | 217,180 | 4,939 | 52,871 | 57,810 | 274,990 |
| Postage | 18,081 | 24,095 | 79,053 | 77,220 | 198,449 | 5,700 | 54,445 | 60,145 | 258,594 |
| Travel | 12,997 | 22,953 | 5,243 | 99,075 | 140,268 | 1,608 | 45,243 | 46,851 | 187,119 |
| Development | 2,332 | 662 | 126 | 5,871 | 8,991 | 16 | 17,552 | 17,568 | 26,559 |
| Staff support | 2,362 | 3,468 | 4,698 | 16,580 | 27,108 | 717 | 2,338 | 3,055 | 30,163 |
| Equipment rent, repairs and maintenance | 3,131 | 4,077 | 6,661 | 9,447 | 23,316 | 1,030 | 2,787 | 3,817 | 27,133 |
| Dues and subscriptions | 2,994 | 24,278 | 1,232 | 197 | 28,701 | 19 | 5,454 | 5,473 | 34,174 |
| Directors' meetings | | | | | | 11,901 | | 11,901 | 11,901 |
| Miscellaneous | 2,659 | 2,759 | 10,738 | 15,226 | 31,382 | 48,261 | 5,853 | 54,114 | 85,496 |
| Depreciation and amortization | 12,007 | 15,347 | 24,750 | 32,072 | 84,176 | 3,847 | 10,343 | 14,190 | 98,366 |
| | <u>\$ 3,083,975</u> | <u>\$ 1,442,993</u> | <u>\$ 2,024,907</u> | <u>\$ 2,514,045</u> | <u>\$ 9,065,920</u> | <u>\$ 341,283</u> | <u>\$ 921,631</u> | <u>\$ 1,262,914</u> | <u>\$ 10,328,834</u> |

The accompanying notes are an integral part of these statements.

PANCREATIC CANCER ACTION NETWORK, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2009**

| | Program Services | | | | Total Program | Supporting Services | | | 2009 Total |
|--|---------------------|---------------------|---------------------|-----------------------|---------------------|-------------------------------|-------------------|---------------------|---------------------|
| | Research | Advocacy | Patient Services | Community Outreach | | General and Administrative | Fund- raising | Total Supporting | |
| Salaries | \$ 435,334 | \$ 445,225 | \$ 882,727 | \$ 956,876 | \$ 2,720,162 | \$ 117,865 | \$ 386,705 | \$ 504,570 | \$ 3,224,732 |
| Payroll taxes | 30,582 | 31,353 | 62,114 | 66,921 | 190,970 | 9,277 | 27,120 | 36,397 | 227,367 |
| Employee benefits | 31,002 | 35,328 | 71,181 | 73,678 | 211,189 | 25,473 | 25,578 | 51,051 | 262,240 |
| | <u>496,918</u> | <u>511,906</u> | <u>1,016,022</u> | <u>1,097,475</u> | <u>3,122,321</u> | <u>152,615</u> | <u>439,403</u> | <u>592,018</u> | <u>3,714,339</u> |
| Research grants and fees | 1,210,000 | | | | 1,210,000 | | | | 1,210,000 |
| Grantee development and mentoring | 44,521 | | | | 44,521 | | | | 44,521 |
| Conferences | 38,677 | 11,237 | 31,828 | 247 | 81,989 | 764 | 842 | 1,606 | 83,595 |
| Workshops | 23,590 | 170,283 | 232,248 | 241,368 | 667,489 | | | | 667,489 |
| Special events | | | | | | | 99,795 | 99,795 | 99,795 |
| Public relations professional fees | 7,032 | 95,798 | 15,401 | 15,745 | 133,976 | 1,926 | 6,264 | 8,190 | 142,166 |
| Accounting, legal and regulatory fees | 3,129 | 10,496 | 6,863 | 14,254 | 34,742 | 8,907 | 2,797 | 11,704 | 46,446 |
| Other professional fees | 22,425 | 33,791 | 97,552 | 71,490 | 225,258 | 7,057 | 28,863 | 35,920 | 261,178 |
| Advertising | 8,161 | 57,856 | 17,494 | 16,858 | 100,369 | 2,154 | 14,142 | 16,296 | 116,665 |
| Insurance | 4,489 | 5,708 | 9,712 | 23,659 | 43,568 | 1,302 | 3,965 | 5,267 | 48,835 |
| Finance charges | 37,246 | 38,833 | 81,681 | 84,577 | 242,337 | 14,232 | 32,964 | 47,196 | 289,533 |
| Occupancy | 33,248 | 85,348 | 75,762 | 75,104 | 269,462 | 9,231 | 29,555 | 38,786 | 308,248 |
| Voice and data communication | 5,497 | 5,536 | 12,404 | 13,312 | 36,749 | 1,468 | 5,227 | 6,695 | 43,444 |
| Information technology | 15,836 | 26,692 | 38,204 | 34,690 | 115,422 | 4,163 | 14,063 | 18,226 | 133,648 |
| Supplies | 5,589 | 7,241 | 12,496 | 27,688 | 53,014 | 1,479 | 8,776 | 10,255 | 63,269 |
| Printing | 14,538 | 20,599 | 48,884 | 48,282 | 132,303 | 4,177 | 57,270 | 61,447 | 193,750 |
| Postage | 16,156 | 16,768 | 82,927 | 65,177 | 181,028 | 4,573 | 44,472 | 49,045 | 230,073 |
| Travel | 19,245 | 16,931 | 5,984 | 80,560 | 122,720 | 656 | 27,443 | 28,099 | 150,819 |
| Development | 104 | 728 | 72 | 2,635 | 3,539 | 9 | 4,344 | 4,353 | 7,892 |
| Staff support | 2,983 | 3,767 | 7,444 | 12,103 | 26,297 | 853 | 6,395 | 7,248 | 33,545 |
| Equipment rent, repairs and maintenance | 2,761 | 2,775 | 6,018 | 6,348 | 17,902 | 781 | 2,394 | 3,175 | 21,077 |
| Dues and subscriptions | 1,807 | 23,560 | 1,020 | 127 | 26,514 | 20 | 11,403 | 11,423 | 37,937 |
| Directors' meetings | | | | | | 14,592 | | 14,592 | 14,592 |
| Miscellaneous | 725 | 235 | 6,678 | 17,417 | 25,055 | 830 | 8,124 | 8,954 | 34,009 |
| Depreciation and amortization | 9,866 | 10,388 | 21,428 | 22,812 | 64,494 | 2,870 | 8,778 | 11,648 | 76,142 |
| | <u>\$ 2,024,543</u> | <u>\$ 1,156,476</u> | <u>\$ 1,828,122</u> | <u>\$ 1,971,928</u> | <u>\$ 6,981,069</u> | <u>\$ 234,659</u> | <u>\$ 857,279</u> | <u>\$ 1,091,938</u> | <u>\$ 8,073,007</u> |

The accompanying notes are an integral part of these statements.

PANCREATIC CANCER ACTION NETWORK, INC.

STATEMENTS OF CASH FLOWS

| | For the Year Ended June 30, | |
|--|--|---------------------|
| | <u>2010</u> | <u>2009</u> |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Increase in net assets | \$ 1,488,079 | \$ 754,444 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 98,366 | 76,142 |
| Net realized and unrealized (gains) losses on investments | (247,747) | 281,123 |
| Noncash valuation of donated inventory | 6,572 | (30,000) |
| Noncash donation of securities | (19,964) | (3,309) |
| (Gain) loss on disposition of equipment | 16,560 | (2,110) |
| Provision for uncollectible pledges | 47,583 | |
| Changes in operating assets and liabilities: | | |
| Pledges receivable and sundry receivables | (1,274,509) | 53,274 |
| Inventory | (5,609) | (5,877) |
| Prepaid expenses and other assets | (148,504) | (113,955) |
| Accounts payable and accrued expenses | 125,501 | 367,658 |
| Grant obligations | 600,997 | 104,750 |
| Net Cash Provided By Operating Activities | <u>687,325</u> | <u>1,482,140</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of investments | (2,873,312) | (2,036,097) |
| Proceeds from sale of investments | 2,034,340 | 991,617 |
| Purchase of property and equipment | (262,518) | (195,143) |
| Net Cash Used In Investing Activities | <u>(1,101,490)</u> | <u>(1,239,623)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payments on capital lease obligations | (7,872) | (10,878) |
| Net Cash Used In Financing Activities | <u>(7,872)</u> | <u>(10,878)</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (422,037) | 231,639 |
| CASH AND CASH EQUIVALENTS—Beginning of year | <u>498,551</u> | <u>266,912</u> |
| CASH AND CASH EQUIVALENTS—End of year | <u>\$ 76,514</u> | <u>\$ 498,551</u> |

The accompanying notes are an integral part of these statements.

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

NOTE 1 – Organization and Business

The Pancreatic Cancer Action Network, Inc. (the Organization) is a nationwide network of people dedicated to working together to advance research, support patients and create hope for those afflicted by pancreatic cancer. The Organization raises money for direct private funding of research and advocates for more aggressive federal research funding of medical breakthroughs in prevention, diagnosis and treatment. The Organization fills the void of information and options by giving patients and caregivers the personalized and reliable information they need to make informed decisions. Additionally, the Organization helps individuals and communities across the country work together to raise awareness about pancreatic cancer and the funds to find a cure. The Organization's activities are conducted from offices in El Segundo, California and Washington, D.C.

The Organization derives most of its revenue from contributions and special events. Each year the Organization holds "An Evening with the Stars" gala that is its largest fund-raising event. In 2010 and 2009, this event raised \$478,827 and \$587,353, respectively, net of related expenses. The Organization also hosts various outreach events utilizing a volunteer network. The volunteer network is comprised of community-based team members across the country who volunteer their time to raise awareness and educate their communities about pancreatic cancer. In 2010 and 2009, volunteer-based events raised \$5,233,072 and \$4,181,916, respectively, net of related expenses.

NOTE 2 – Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the Organization have been prepared in conformity with generally accepted accounting principles applicable to nonprofit organizations. Accordingly, the Organization's net assets are classified for financial reporting purposes as unrestricted, temporarily restricted or permanently restricted based on the existence or absence of donor-imposed restrictions.

Unrestricted net assets are not subject to donor-imposed restrictions and include those net assets that may be used by the Organization for any of its programs or administrative support.

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Temporarily restricted net assets are subject to donor-imposed restrictions which will be met either by the Organization's actions or the passage of time. Items that increase this net asset category are contributions restricted as to time or purpose and include contributions that may be used for any purpose upon receipt at a future date. Temporarily restricted net assets are reclassified to unrestricted net assets when the restrictions have been met or have expired.

Permanently restricted net assets are subject to explicit donor-imposed restrictions that do not expire. Funds are held in perpetuity while the income is available for general use. At June 30, 2010 and 2009, the Organization had no permanently restricted net assets.

Use of Estimates and Assumptions

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions affecting the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant items subject to such estimates and assumptions, among others, include the carrying amount of property and equipment and the allowance for pledges receivable. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents.

The Organization maintains its cash in financial institutions which, at times, may exceed federally insured limits. Historically, the Organization has not experienced any losses in such accounts. Management believes the Organization is not exposed to any significant credit risk on cash.

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Investments

Investments are recorded at fair value based on quoted prices in an active market. Investment income includes dividends and interest and is recognized as revenue in the period in which it is earned. Changes in fair value are recorded as unrealized gains (losses). Investment income amounts are reported as an increase in unrestricted net assets unless otherwise restricted by the donor. Contributions of securities from donors are recorded at fair value at the time the gift is made.

Investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with investments, it is at least reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the financial statements.

Pledges Receivable

The Organization recognizes donors' unconditional promises to give cash or other assets as revenue in the period promises are made. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Those promises to give that are expected to be collected over two years or more are recorded at the present value of their estimated future cash flows. Amortization of the discount to present value is included in contribution revenue. Conditional promises to give are not recognized as revenue until the condition is met.

Pledges from board members accounted for 12% and 29% of the pledges receivable balance at June 30, 2010 and 2009, respectively.

Inventory

Inventory consists of various branded promotional items that are held for sale. Inventory is stated at the lower of cost or market determined by using the weighted average cost method.

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment are stated at cost, except for donated assets, which are recorded at fair value at the time of receipt. All expenditures for property and equipment in excess of \$2,500 are capitalized. Additionally, the Organization capitalizes certain direct costs associated with the development of its web-site and a database system. During 2010, the Organization launched its new web-site and commenced amortization of this development cost. Amortization of these costs was \$20,672 for the year ended June 30, 2010.

Depreciation and amortization expense is calculated using the straight-line method over estimated useful lives of three to five years for furniture and equipment, computer software and web-site development cost. Leasehold improvements and equipment under capital lease obligations are amortized on a straight-line basis over the estimated life of the asset or the remaining life of the lease, whichever is shorter.

Development of a database system for internal use was in progress at June 30, 2010 and 2009. At June 30, 2010, in-progress payments included a deposit against the future delivery of furniture and office systems.

Fair Value Measurements

On July 1, 2008, the Organization adopted the provisions of Financial Accounting Standards Board (FASB) guidance required for fair value measurements of financial assets and financial liabilities, as well as nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. This guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The guidance also establishes a framework for measuring fair value and enhances disclosures about fair value measurements (See Note 4). On July 1, 2009, the Organization adopted the provisions required for fair value measurement of nonfinancial assets and liabilities on a nonrecurring basis.

The guidance describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value. The Organization's assessment of the significance of a particular input to the fair value measurements requires judgment, and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy.

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Contributions

Contributions are recognized as revenue in the period received or pledged and are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions received with donor-imposed temporary restrictions are recorded as temporarily restricted revenue. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Bequests are recognized at the time the Organization receives notification of its right to them as a beneficiary, the proceeds are subject to reasonable estimation, and there are no known or probable impediments to receipt of the bequested gift. At June 30, 2010, sundry receivables include a bequest with an estimated value of \$70,000.

Donated materials and other noncash donations are recorded as contributions at their estimated fair values on the date received. Many individuals, most of whom are active in one of the over seventy nationwide Community Outreach volunteer affiliates as of June 30, 2010, volunteer their time and perform a variety of tasks that assist the Organization with its programs and administration. These donated services are not reflected in the financial statements because they do not meet the criteria for inclusion.

Special Events

Special events consist of the “An Evening with the Stars” gala and various outreach events utilizing a nationwide volunteer network. The gala revenue and related expenses are recognized in the period in which the event occurs. Revenue from volunteer organized outreach events is generally recognized as received unless significant performance obligations remain at the end of the fiscal year. Certain costs paid in advance of an event are recorded as prepaid expenses.

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Research Grants

The Organization awards peer-reviewed research grants to investigators who are devoted to scientific research related to pancreatic cancer. Research grants include periodic reporting and compliance requirements that, if breached, allow the Organization to rescind its promise to pay future award installments. The Organization pays a fee for grant peer-review and administrative services provided by the American Association of Cancer Research. These fees are charged at a rate of 11.5% and 10.0% of the amount of the awards granted in 2010 and 2009, respectively, and are paid from unrestricted funds. Grants and fees are recognized as expense when the grant is awarded to a named recipient. Grant obligations that are payable over a period greater than one year at the end of the fiscal year in which the grant is awarded are discounted to their present value using a rate that was 3% in 2010. There were no discounted grants in 2009.

Advertising Costs

Advertising costs are expensed as incurred and charged directly to the program benefiting from the advertisement. Advertising expenses that affect more than one functional area are allocated to respective areas based on ratios estimated by management.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state laws.

The Organization recognizes the financial statement benefit of tax positions, such as filing status of tax-exempt, only after determining that the relevant tax authority would more likely than not sustain the position following an audit. The Organization is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

Functional Expenses

Operating expenses directly identified with a functional area are charged to that area. Expenses affecting more than one functional area are allocated to the respective areas on the basis of ratios estimated by management.

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Reclassifications

Certain reclassifications have been made to prior-year amounts to conform to the current-year presentation.

Subsequent Events

In preparing these financial statements, the Organization has evaluated subsequent events and transactions for potential recognition or disclosure through September 14, 2010, the date at which the financial statements were available to be issued.

NOTE 3 – Investments

Investments held at June 30, 2010 and 2009 consist of:

| | <u>2010</u> | | <u>2009</u> | |
|--------------------------|---------------------|---------------------|---------------------|---------------------|
| | <u>Cost</u> | <u>Fair Value</u> | <u>Cost</u> | <u>Fair Value</u> |
| Fixed Income Securities | | | | |
| Domestic corporate bonds | \$ 2,754,877 | \$ 2,862,361 | \$ 2,010,488 | \$ 2,022,174 |
| US Federal agencies | 814,003 | 829,594 | 813,984 | 816,595 |
| Foreign bonds and other | 300,213 | 315,357 | 200,213 | 210,551 |
| Mutual funds - equities | 434,697 | 380,884 | 463,000 | 331,244 |
| Common stocks | <u>579,272</u> | <u>626,990</u> | <u>561,556</u> | <u>527,939</u> |
| | <u>\$ 4,883,062</u> | <u>\$ 5,015,186</u> | <u>\$ 4,049,241</u> | <u>\$ 3,908,503</u> |

At June 30, 2010, fixed income securities with a fair value of \$810,664 are scheduled to mature within one year. The remainder of fixed income securities bear maturity dates from 2012 to 2017.

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

NOTE 3 – Investments (Continued)

Investment returns from these investments and other interest-bearing accounts are summarized as follows:

| | For the Year Ended June 30, | |
|--|--|----------------------------|
| | <u>2010</u> | <u>2009</u> |
| Dividend and interest income, net | \$ 105,912 | \$ 104,129 |
| Net realized and unrealized gains (losses) | <u>247,747</u> | <u>(281,123)</u> |
| | <u><u>\$ 353,659</u></u> | <u><u>(\$ 176,994)</u></u> |

Dividend and interest income is reported net of bank fees of \$64,936 and \$48,085 in 2010 and 2009, respectively.

NOTE 4 – Fair Value Hierarchy

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine the fair value disclosures. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in certain instances, there are no quoted market prices for the Organization's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. The Organization groups its assets and liabilities measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

NOTE 4 – Fair Value Hierarchy (Continued)

- Level 3 inputs are unobservable inputs for the asset or liability.

The Organization’s valuation techniques for assets and liabilities recorded at fair value are as follows:

Investments – The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the investment.

Pledges receivable – The fair value of contributions is equal to the carrying value for contributions expected to be collected within one year. Contributions expected to be collected in future periods are discounted to present value based on management’s assumptions.

Grant obligations – The fair value of grant obligations is equal to the carrying value for grants expected to be paid within one year. Grant obligations expected to be paid in future periods are discounted to present value based on management’s assumptions.

The following tables present assets that are measured at fair value on a recurring basis at June 30, 2010 and 2009:

| | Fair Value Measurements at June 30, 2010 | | | |
|--------------------------|---|----------------|----------------|--------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Fixed income securities: | | | | |
| Domestic corporate bonds | | \$ 2,862,361 | | \$ 2,862,361 |
| US Federal agencies | \$ 829,594 | | | 829,594 |
| Foreign bonds and other | | 315,357 | | 315,357 |
| Mutual funds – equities | 380,884 | | | 380,884 |
| Common stocks | 626,990 | | | 626,990 |
| Total | \$ 1,837,468 | \$ 3,177,718 | None | \$ 5,015,186 |

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

NOTE 4 – Fair Value Hierarchy (Continued)

| | Fair Value Measurements at June 30, 2009 | | | |
|--------------------------|--|--------------|---------|--------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Fixed income securities: | | | | |
| Domestic corporate bonds | | \$ 2,022,174 | | \$ 2,022,174 |
| US Federal agencies | \$ 816,595 | | | 816,595 |
| Foreign bonds and other | | 210,551 | | 210,551 |
| Mutual funds – equities | 331,244 | | | 331,244 |
| Common stocks | 527,939 | | | 527,939 |
| Total | \$ 1,675,778 | \$ 2,232,725 | None | \$ 3,908,503 |

Assets and liabilities recorded at fair value on a nonrecurring basis include pledges receivable and grant obligations in the amount of \$1,345,333 and \$542,250, respectively, at June 30, 2010, based on level 3 inputs.

NOTE 5 – Pledges Receivable

Pledges receivable consists of amounts due in installments from various individuals, foundations and a corporation. Expected future collections as of June 30, 2010 are as follows:

| Year Ending June 30, | |
|--|--------------|
| 2011 | \$ 618,478 |
| 2012 | 332,667 |
| 2013 | 100,000 |
| 2014 | 100,000 |
| 2015 | 100,000 |
| Thereafter | 500,000 |
| | 1,751,145 |
| Less discounts at rates of 3% to 4.5% | (209,212) |
| Less allowance for uncollectible pledges | (15,000) |
| | \$ 1,526,933 |

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

NOTE 5 – Pledges Receivable (Continued)

At June 30, 2010, the total of pledges receivable that are recorded net of related discounts is \$1,136,121. All outstanding pledge receivables are donor restricted as to time or purpose as of June 30, 2010.

Uncollectible pledge expense of \$47,583 is reported in miscellaneous expense for the fiscal year ended June 30, 2010.

NOTE 6 – Property and Equipment

Property and equipment consists of the following:

| | June 30, | |
|---|-------------------|-------------------|
| | 2010 | 2009 |
| Furniture and equipment | \$ 272,910 | \$ 274,316 |
| Computer software | 142,842 | 124,465 |
| Web-site development | 82,687 | 64,853 |
| Leasehold improvements | 58,715 | 51,085 |
| | <u>557,154</u> | <u>514,719</u> |
| Accumulated depreciation and amortization | (383,154) | (318,960) |
| | 174,000 | 195,759 |
| Database systems development and in-progress payments | <u>365,106</u> | <u>164,662</u> |
| | <u>\$ 539,106</u> | <u>\$ 360,421</u> |

Furniture and equipment includes assets acquired in exchange for capital lease obligations. The cost of capital lease equipment was \$61,581 and \$30,488 at June 30, 2010 and 2009, respectively. Related accumulated amortization of the capital lease equipment at June 30, 2010 and 2009 was \$27,449 and \$20,834, respectively.

Database systems development and in-progress payments included \$265,106 and \$164,662 at June 30, 2010 and 2009, respectively, for development of a clinical trials database system that was launched in August 2010. At June 30, 2010, database systems development and in-progress payments also included a \$100,000 deposit made towards the purchase of furniture and office systems. The Organization is obligated to pay an additional \$147,503 upon final delivery of the furniture and office systems in October 2010.

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

NOTE 6 – Property and Equipment (Continued)

Depreciation and amortization expense totaled \$98,366 and \$76,142 for 2010 and 2009, respectively.

The Organization anticipates that it will relocate to new corporate office space in November 2010 at which time it will abandon, sell or dispose of certain leasehold improvements and furniture and equipment. A \$16,560 charge to write-down the cost of these assets to their remaining realizable value is reported in miscellaneous expense for the year ended June 30, 2010.

NOTE 7 – Grant Obligations

Grant obligations consist of annual award installments and administrative fees due on multi-year research grants that are payable each year in advance, over one to five years.

Future payments on grant obligations as of June 30, 2010 are as follows:

| <u>Year Ending June 30,</u> | |
|---------------------------------|---------------------|
| 2011 | \$ 832,500 |
| 2012 | 150,000 |
| 2013 | 150,000 |
| 2014 | <u>150,000</u> |
| | 1,282,500 |
| Less discount at a rate of 3% | <u>(40,753)</u> |
| | <u>\$ 1,241,747</u> |

In 2010, the Organization recorded research grants and fees, before discounts of \$40,753, of \$2,280,174 consisting of \$2,045,000 for awards and \$235,174 for administrative fees. The company paid \$997,674 of this obligation during fiscal 2010 and the remaining \$1,241,747, net of discount, was included in grant obligations at June 30, 2010. In 2009, research grants and fees of \$1,210,000 consisted of \$1,100,000 for awards and \$110,000 for administrative fees of which \$569,250 was paid during the year and \$640,750 was included in grants obligations at June 30, 2009.

PANCREATIC CANCER ACTION NETWORK, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 8 – Lease Obligations

Operating Leases

The Organization occupies its El Segundo corporate offices under a lease agreement that was extended on a month-to-month basis upon expiration in May 2010. The lease provides for a monthly base rental of \$21,879 plus allocated operating expenses until a new facility is available to occupy pursuant to a lease negotiated in May 2010 and anticipated to commence in November 2010. The lease provides for rent-free occupancy during the first three months of the lease term and monthly base rental payments that escalate from \$35,250 to \$74,098 over the ten-year lease period. Payment for parking accommodations is required for a minimum number of spaces at rates that are partially abated during the first three months of the lease term and escalate 3% each year thereafter. The agreement also calls for payment of allocated operating expenses commencing January 2012 and offers two five-year renewal options at market rates. The lease further provides the Organization the option to finance certain tenant improvements in the amount of \$87,122, payable in monthly installments of principal plus simple interest at a rate of 6% over the 120-month term of the lease.

The Organization occupies an office space in Washington, D.C. under a two-year lease agreement that expires in May 2012. Rent is \$4,925 per month plus fixed and variable charges for lessor-provided office services. The lease includes a 12% increase in base rent in the second year and a one-year renewal option at market rates. The Organization also leases certain office equipment on a month-to-month lease.

Future minimum lease payments under current and future facility operating leases at June 30, 2010 are:

| Year Ending June 30, | |
|---------------------------------|---------------------|
| 2011 | \$ 347,164 |
| 2012 | 588,234 |
| 2013 | 708,367 |
| 2014 | 793,316 |
| 2015 | 817,139 |
| Thereafter | <u>4,776,220</u> |
| | <u>\$ 8,030,440</u> |

In 2010 and 2009, rental expense for operating leases was \$408,497 and \$318,919, respectively.

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

NOTE 8 – Lease Obligations (Continued)

Capital Leases

The Organization leases office equipment under noncancelable capital lease obligations. The capital lease obligations are collateralized by the office equipment acquired under the agreements.

At June 30, 2010, a capital lease obligation that is due in January 2016 is payable in monthly installments of \$695 and bears an imputed interest rate of 8%. The future minimum capital lease payments, including a capital lease with a term less than one year, are as follows:

| <u>Year Ending June 30,</u> | | |
|-----------------------------------|----|----------------|
| 2011 | \$ | 11,725 |
| 2012 | | 8,341 |
| 2013 | | 8,341 |
| 2014 | | 8,341 |
| 2015 | | 8,341 |
| Thereafter | | <u>4,865</u> |
| | | 49,954 |
| Less amount representing interest | (| <u>16,301)</u> |
| | \$ | <u>33,653</u> |

NOTE 9 – Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

| | <u>June 30,</u> | |
|--|---------------------|-------------------|
| | <u>2010</u> | <u>2009</u> |
| Time restricted net assets: | | |
| Unrestricted use | \$ 805,729 | |
| Purposes restricted net assets: | | |
| Research grants | | \$ 490,347 |
| Patient Services literature and outreach | <u>508,707</u> | <u>10,716</u> |
| | <u>\$ 1,314,436</u> | <u>\$ 501,063</u> |

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

NOTE 10 – Retirement Plan

The Organization has a 401(k) profit-sharing plan (the Plan) covering all eligible employees. The Plan provides for participants to make pretax contributions, with the Organization matching 100% of contributions up to 3% of the participant’s compensation and matching 50% of contributions for the next 2% of compensation. In addition, the Organization may make discretionary additional contributions for its employees. During the years ended June 30, 2010 and 2009, the Organization made nondiscretionary contributions of \$85,870 and \$66,905, respectively, towards its employees’ 401(k) retirement accounts.

NOTE 11 – Joint Costs

For the years ended June 30, 2010 and 2009, the Organization incurred joint costs for informational newsletters that included fund-raising appeals. These joint activities meet the purpose, audience, and content criteria required to support the allocation of these costs to the areas benefited, as follows:

| | For the Year Ended June 30, | |
|----------------------------|--|-------------------|
| | 2010 | 2009 |
| Fund-raising | \$ 16,316 | \$ 12,780 |
| Program service costs | 129,402 | 93,900 |
| General and administrative | 5,902 | 4,467 |
| | <u>\$ 151,620</u> | <u>\$ 111,147</u> |

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

NOTE 12 – Supplemental Disclosure of Cash Flow Information

| | For the Year Ended June 30, | |
|---------------|--|-----------------|
| | 2010 | 2009 |
| Interest paid | <u>\$ 1,378</u> | <u>\$ 3,324</u> |

Noncash Activity

During the year ended June 30, 2009, equipment under capital lease was returned to the lessor with a net book value of \$8,164 and remaining lease obligation of \$10,274. During the year ended June 30, 2010, equipment was purchased under a capital lease totaling \$31,093.