PANCREATIC CANCER ACTION NETWORK, INC.

FINANCIAL STATEMENTS
JUNE 30, 2012
WITH SUMMARY COMPARATIVE INFORMATION FOR 2011

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 statement of financial position of Pancreatic Cancer Action Network, Inc. (the Organization) as of June 30, 2012 and the related statements of activities, functional expenses, and cash flows for the year 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 audit. The prior year summarized comparative information has been derived from Pancreatic Cancer Action Network, Inc.'s 2011 financial statements and, in our report dated September 8, 2011, we expressed an unqualified opinion on those financial statements.

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 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 audit provides 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, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Windes & McClaughry

Long Beach, California
September 7, 2012

PANCREATIC CANCER ACTION NETWORK, INC.

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012 WITH COMPARATIVE TOTALS FOR 2011

ASSETS

	June 30, 2012	June 30, 2011
ASSETS		
Cash and cash equivalents	$ 1,450,462	$ 2,476,755
Investments	8,514,725	4,075,760
Pledges receivable, net	1,206,693	1,162,754
Sundry receivables	250,282	417,197
Inventory	68,241	165,850
Prepaid expenses	528,549	412,118
Property and equipment, net	694,539	848,984
Other assets	77,305	77,305
TOTAL ASSETS	$ 12,790,796	$ 9,636,723

LIABILITIES AND NET ASSETS

	June 30, 2012	June 30, 2011
LIABILITIES		
Accounts payable	$ 538,758	$ 498,639
Accrued expenses	605,862	189,925
Grant obligations	3,271,280	2,167,535
Deferred lease liability	617,158	413,728
Capital lease obligations	21,011	25,882
	5,054,069	3,295,709
COMMITMENTS (Note 8)		
NET ASSETS		
Unrestricted		
Undesignated operating funds	471,419	3,258,733
Board designated operating reserve	5,840,000	1,250,000
Equity in property and equipment	673,528	823,102
Total unrestricted	6,984,947	5,331,835
Temporarily restricted	751,780	1,009,179
	7,736,727	6,341,014
TOTAL LIABILITIES AND NET ASSETS	$ 12,790,796	$ 9,636,723

The accompanying notes are an integral part of these statements.

PANCREATIC CANCER ACTION NETWORK, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE TOTALS FOR 2011

	Unrestricted	Temporarily Restricted	June 30, 2012	June 30, 2011
REVENUE, GAINS AND OTHER SUPPORT				
Contributions	$ 3,786,013	$ 3,334,960	$ 7,120,973	$ 5,079,721
Special events (net of direct costs of $2,152,701 and $1,287,601, for 2012 and 2011, respectively)	8,233,129	538,675	8,771,804	7,316,650
Store sales, net	183,660		183,660	234,447
Other income	13,995		13,995	9,970
Investment return	373,732		373,732	362,192
Net assets released from restrictions	4,131,034	(4,131,034)		
Total Revenue, Gains and Other Support	16,721,563	(257,399)	16,464,164	13,002,980
EXPENSES				
Program services:				
Research	5,032,781		5,032,781	3,916,466
Advocacy	1,912,723		1,912,723	1,582,822
Patient Services	2,418,367		2,418,367	2,274,340
Community Outreach	3,749,048		3,749,048	3,050,217
Total Program Services	13,112,919		13,112,919	10,823,845
Supporting services:				
General and administrative	500,645		500,645	406,765
Fund-raising	1,454,887		1,454,887	1,157,565
Total Supporting Services	1,955,532		1,955,532	1,564,330
Total Expenses	15,068,451		15,068,451	12,388,175
INCREASE (DECREASE) IN NET ASSETS	1,653,112	(257,399)	1,395,713	614,805
NET ASSETS AT BEGINNING OF YEAR	5,331,835	1,009,179	6,341,014	5,726,209
NET ASSETS AT END OF YEAR	$ 6,984,947	$ 751,780	$ 7,736,727	$ 6,341,014

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, 2012 WITH COMPARATIVE TOTALS FOR 2011

	Program Services					Supporting Services				
	Research	Advocacy	Patient Services	Community Outreach	Total Program	General and Administrative	Fund-raising	Total Supporting	Total 2012	Total 2011
Salaries	$ 644,284	$ 737,287	$ 1,104,245	$ 1,760,719	$ 4,246,535	$ 285,224	$ 654,527	$ 939,751	$ 5,186,286	$ 4,178,090
Payroll taxes and benefits	94,241	114,863	178,607	282,325	670,036	34,698	95,048	129,746	799,782	650,352
Research grants	3,744,245				3,744,245				3,744,245	2,875,908
Grantee development	97,839				97,839				97,839	55,992
Conferences	16,654	6,859	79,338	9,729	112,580	397	10,215	10,612	123,192	111,200
Workshops	88,778	312,881	129,609	418,022	949,290				949,290	812,950
Special events							57,764	57,764	57,764	51,038
Professional services	52,696	225,688	172,279	177,766	628,429	23,042	122,982	146,024	774,453	677,894
Accounting, legal and regulatory fees	5,109	6,978	10,009	15,937	38,033	2,366	5,950	8,316	46,349	45,153
Advertising	2,917	54,582	32,115	9,574	99,188	1,359	5,289	6,648	105,836	136,678
Insurance	7,064	8,266	12,624	54,528	82,482	2,943	7,060	10,003	92,485	65,457
Bank and processing fees	63,842	76,537	117,616	186,430	444,425	29,435	73,638	103,073	547,498	472,212
Occupancy	97,788	198,827	175,523	278,136	750,274	40,871	97,797	138,668	888,942	705,234
Voice and data communication	6,622	8,514	11,486	23,128	49,750	2,566	6,478	9,044	58,794	54,120
Information technology	18,507	37,129	35,956	101,689	193,281	7,621	24,003	31,624	224,905	199,589
Supplies	5,208	6,418	9,676	26,357	47,659	1,982	8,140	10,122	57,781	75,040
Printing	16,097	20,185	136,251	72,204	244,737	9,354	84,953	94,307	339,044	342,873
Postage and shipping	22,382	26,844	97,116	102,161	248,503	9,256	69,318	78,574	327,077	283,896
Travel and development	21,051	20,660	22,181	140,866	204,758	2,228	97,863	100,091	304,849	256,598
Staff support	6,381	6,273	8,336	19,891	40,881	1,832	6,525	8,357	49,238	64,613
Equipment and maintenance	2,439	2,769	4,235	15,704	25,147	2,137	2,354	4,491	29,638	27,033
Directors' meetings						27,019		27,019	27,019	16,847
Miscellaneous	4,201	24,756	1,246	10,643	40,846	10,175	9,977	20,152	60,998	71,378
Depreciation and amortization	14,436	16,407	79,919	43,239	154,001	6,140	15,006	21,146	175,147	158,030
	$ 5,032,781	$ 1,912,723	$ 2,418,367	$ 3,749,048	$ 13,112,919	$ 500,645	$ 1,454,887	$ 1,955,532	$ 15,068,451	$ 12,388,175
Functional expense ratio	33%	13%	16%	25%	87%	3%	10%	13%	100%	100%

The accompanying notes are an integral part of these statements.

PANCREATIC CANCER ACTION NETWORK, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE TOTALS FOR 2011

	For the Year Ended June 30, 2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	$ 1,395,713	$ 614,805
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	175,147	158,030
Net realized and unrealized gains on investments	(173,697)	(176,263)
Noncash valuation of donated inventory		2,794
Loss on disposition of equipment		7,527
Provision for uncollectible pledges	10,000	
Changes in operating assets and liabilities:		
Pledges receivable and sundry receivables	112,976	159,914
Inventory	97,609	(87,432)
Prepaid expenses and other assets	(116,431)	(74,898)
Accounts payable and accrued expenses	456,056	(176,235)
Grant obligations	1,103,745	925,788
Deferred lease liability	203,430	413,728
Net Cash Provided By Operating Activities	3,264,548	1,767,758
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(8,597,340)	(5,862,479)
Proceeds from sale of investments	4,332,072	6,978,168
Purchase of property and equipment	(20,702)	(475,435)
Net Cash Provided By (Used In) Investing Activities	(4,285,970)	640,254
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease obligations	(4,871)	(7,771)
Net Cash Used In Financing Activities	(4,871)	(7,771)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,026,293)	2,400,241
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,476,755	76,514
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 1,450,462	$ 2,476,755

The accompanying notes are an integral part of these statements.

PANCREATIC CANCER ACTION NETWORK, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012 WITH COMPARATIVE TOTALS FOR 2011

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 Manhattan Beach, 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 2012 and 2011, this event raised $714,201 and $643,848, 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 2012 and 2011, volunteer-based events raised $8,057,603 and $6,672,802, 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 including current and future grant awards and obligations for which funding from future restricted giving is uncertain.

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, 2012 and 2011, the Organization had no permanently restricted net assets.

Prior-Period Information

The 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. Accordingly, such information should be read in conjunction with the Organization's audited financial statements for the year ended June 30, 2011 with an auditors' report date of September 8, 2011, from which the summarized information was derived.

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.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents (Continued)

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.

Investments

Investments are recorded at fair value based on quoted prices in an active market. In addition to gains and losses on investment sale transactions, 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 a period in excess of two years are recorded at the discounted 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.

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.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment are stated at cost, except for donated assets, which, except for certain facility improvements, are recorded at fair value at the time of receipt. Effective July 1, 2011, the Organization increased the minimum level of expenditure for capitalization of property and equipment to $5,000. Prior to fiscal 2012, expenditures of $2,500 or greater were capitalized. Additionally, the Organization capitalizes certain direct costs associated with the development of its web-site and its clinical trials database system.

In conjunction with the completion of a facility build-out under the terms of a ten-year lease that commenced November 2010, the landlord absorbed $300,991 in facility improvement costs in excess of landlord's standard base building costs and costs assumed by the Organization and recorded to leasehold improvements in the accompanying Statement of Financial Position. The Organization did not recognize these additional absorbed costs as a contribution to property and equipment in its financial statements during 2011.

Depreciation and amortization expense is calculated using the straight-line method over estimated useful lives of three to ten years for furniture and equipment, computer software and internally developed asset costs. 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.

Fair Value Measurements

The Organization follows the guidance required for fair value measurements of financial and nonfinancial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring or nonrecurring 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.)

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

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.

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. Sundry receivables include bequests receivable with estimated values of $40,000 and $250,000 at June 30, 2012 and 2011, respectively.

Donated materials, contributed services and other noncash donations are recorded as contributions at their estimated fair values on the date received. The Organization recorded $308,649 and $118,237 representing the estimated fair value of donated goods and services in 2012 and 2011, respectively. All but $3,223 in 2012 and $14,317 in 2011 of these donated goods and services were recorded as offsetting revenue and expense in Special Events net revenue in the accompanying Statement of Activities. Many individuals, most of whom are active in one of the sixty-two nationwide Community Outreach volunteer affiliates as of June 30, 2012, 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. Also, the financial statements do not reflect approximately $35,000 and $40,000 in professional legal services provided to the Organization at no cost for the years ended June 30, 2012 and 2011, respectively.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Special Events

Special events consist of the “An Evening with the Stars” gala and various outreach and awareness 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 awareness 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.

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 not met, 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 10.0% and 11.5% of the amount of the awards granted in 2012 and 2011, respectively, and are paid from unrestricted funds. Grants and fees are recognized as expense when the grant is awarded to a named recipient. Grants that have remaining 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 1% in 2012 and 3% in 2011. Unused grant awards, if any, are returned to the Organization and reduce the research grant expense. There were no returned grant awards in 2012 and returned awards were immaterial in 2011.

Advertising Costs

Advertising costs are expensed in the period the advertisement is run and charged directly to the program benefiting from the advertisement. Advertising expenses that affect more than one functional area are allocated to applicable areas based on ratios estimated by management.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

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.

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's management has evaluated subsequent events and transactions for potential recognition or disclosure through September 7, 2012, the date at which the financial statements were available to be issued.

NOTE 3 – Investments

Investments held at June 30, 2012 and 2011 consist of:

	2012		2011	
	Cost	Fair Value	Cost	Fair Value
Fixed Income Securities:				
Corporate bonds	$ 1,448,637	$ 1,485,659	$ 992,847	$ 1,037,506
US Federal agencies	1,528,109	1,570,038	788,986	810,040
Mutual and Exchange Traded Funds:				
Bond funds	2,848,476	2,913,275	1,327,458	1,349,008
Equity funds and other assets	1,580,068	1,533,572	327,708	335,793
Common Stocks	988,101	1,012,181	533,093	543,413
	$ 8,393,391	$ 8,514,725	$ 3,970,092	$ 4,075,760

At June 30, 2012, fixed income securities bear maturity dates ranging from 2012 to 2040.

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

	For the Year Ended June 30,	
	2012	2011
Dividend and interest income, net	$ 200,035	$ 185,929
Net realized and unrealized gains	173,697	176,263
	$ 373,732	$ 362,192

Dividend and interest income is reported net of bank fees of $85,249 and $57,837 in 2012 and 2011, 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.
- 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 pledges receivable is equal to the carrying value for pledges expected to be collected within one year. Pledges 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.

NOTE 4 – Fair Value Hierarchy (Continued)

The following tables present assets that are measured at fair value on a recurring basis at June 30, 2012 and 2011:

	Fair Value Measurements at June 30, 2012			Total	
	Level 1	**Level 2**	**Level 3**	**2012**	**2011**
Fixed Income Securities:					
Corporate bonds		$ 1,485,659		$ 1,485,659	$ 1,037,506
US Federal agencies	$ 1,570,038			1,570,038	810,040
Mutual and Exchange Traded Funds:					
Bond funds	2,913,275			2,913,275	1,349,008
Equity funds and other assets	1,533,572			1,533,572	335,793
Common Stocks	1,012,181			1,012,181	543,413
Total	$ 7,029,066	$ 1,485,659	None	$ 8,514,725	$ 4,075,760

Assets and liabilities recorded at fair value on a nonrecurring basis based on level 3 inputs include pledges receivable and grant obligations in the amount of $534,734 and $2,191,926, respectively, at June 30, 2012 and $908,145 and $1,611,705, respectively, at June 30, 2011.

NOTE 5 – Pledges Receivable

Pledges receivable consists of amounts due in installments from various individuals, foundations and corporations. Expected future collections as of June 30, 2012 are as follows:

Year Ending June 30,	
2013	$ 640,234
2014	102,000
2015	102,000
2016	102,000
2017	102,000
Thereafter	304,963
	1,353,197
Less discount at a rate of 4.5%	(128,044)
Less allowance for uncollectible pledges	(18,460)
	$ 1,206,693

At June 30, 2012 and 2011, the total of pledges receivable that are recorded net of related discounts is $671,956 and $908,145, respectively. Outstanding pledge receivables that are donor restricted as to time or purpose total $1,180,490 as of June 30, 2012 and $1,125,841 as of June 30, 2011.

Uncollectible pledge expense of $10,000 was reported in miscellaneous expense in 2012. The Organization recorded no uncollectible pledge expense for the fiscal year ended June 30, 2011.

NOTE 6 – Property and Equipment

Property and equipment consists of the following:

	June 30, 2012	June 30, 2011
Furniture and equipment	$ 413,445	$ 413,445
Computer software	278,962	258,260
Database system and web-site	353,585	353,585
Leasehold improvements	166,238	166,238
	1,212,230	1,191,528
Accumulated depreciation and amortization	(517,691)	(342,544)
	$ 694,539	$ 848,984

Furniture and equipment includes assets acquired in exchange for capital lease obligations. The cost of capital lease equipment was $31,093 at June 30, 2012 and 2011. Related accumulated amortization of the capital lease equipment at June 30, 2012 and 2011 was $7,252 and $3,626, respectively.

The Organization has an internally developed clinical trials database system for internal use. Development costs for the database system are being amortized over a five-year period. Web-site development costs are amortized over a three-year period. Amortization costs were $81,742 and $97,899 for 2012 and 2011, respectively.

Total depreciation and amortization expense was $175,147 and $158,030 for 2012 and 2011, respectively.

In 2011, miscellaneous expense includes charges of $7,527 related to the write-down and abandonment of certain assets in conjunction with the relocation of the corporate office in November 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, 2012 are as follows:

Year Ending June 30,	
2013	$ 1,751,250
2014	731,250
2015	581,250
2016	300,000
	3,363,750
Less discounts at rates of 1% to 3%	(92,470)
	$ 3,271,280

In 2012, the Organization recorded research grants and fees, before discounts of $28,074, of $3,729,500. This total consisted of $3,445,000 for awards and $284,500 for administrative fees. The Organization paid $1,509,500 of this obligation during 2012 and the remaining $2,191,926, net of discount, was included in grant obligations at June 30, 2012. In 2011, the Organization recorded research grants and fees, before discounts of $81,507, of $2,949,175. This total consisted of $2,645,000 for awards and $304,175 for administrative fees. The Organization paid $981,000 and $1,124,425 of this obligation during 2012 and 2011, respectively. The remaining $792,333, net of discount, was included in grant obligations at June 30, 2012.

NOTE 8 – Commitments

Facilities Leases

In November 2010, the Organization relocated its corporate offices to Manhattan Beach, California. Under the terms of the new facility lease, monthly base rental payments escalate from $35,250 to $74,098 over a ten-year lease period, following rent-free occupancy for the first six months. The total amount of base rentals over the term of the lease is charged to expense on a straight-line basis, with the amount of the rental expense in excess of the lease payments recorded as a deferred lease liability. The lease provides for payment of a minimum number of parking spaces at rates that increase 3% annually. The agreement also calls for payment of allocated operating expenses that commenced in January 2012 and offers two five-year renewal options at market rates. Under the terms of the lease, the Organization made payments for tenant improvements during the fiscal year-ended June 30, 2011 that totaled $111,447, net of $12,083 in credits for reduced real-estate broker fees charged to the landlord in benefit of the Organization. These costs totaling $123,530 were recorded to leasehold improvements.

The Organization occupies an office space in Washington, D.C. at a monthly rate of $5,584 under a lease agreement that calls for an increase of 4% in May 2013 and expires in May 2014.

Future minimum lease payments for the corporate facility operating leases including minimum parking accommodations are:

Year Ending June 30,	
2013	$ 843,091
2014	857,967
2015	817,913
2016	842,450
2017	867,724
Thereafter	3,070,174
	$ 7,299,319

NOTE 8 – Commitments (Continued)

Equipment Leases

The Organization leases office equipment under non-cancelable leases that are collateralized by the office equipment acquired under the agreements. One of these leases is being recorded as an operating lease with lease payments of $1,143 per month through July 2014. At June 30, 2012, a capital lease obligation that is due in January 2016 is payable in monthly installments of $564 and bears an imputed interest rate of 8%.

The future minimum capital and operating equipment lease payments are as follows:

Year Ending June 30,	Capital Lease	Operating Lease
2013	$ 6,765	$ 13,722
2014	6,765	13,722
2015	6,765	1,143
2016	3,942	
	24,237	28,587
Less amount representing interest	(3,226)	
	$ 21,011	$ 28,587

In 2012 and 2011, rental expense for operating leases was $902,662 and $719,082, respectively.

Contractual Obligations

The Organization has entered into contractual agreements with hotel venues to provide facilities and services for events scheduled to take place through June 2014. The agreements call for payment of cancellation fees that range from a minimum of $19,073 for an event scheduled in October 2012 to $171,983 for an event scheduled in June 2014. The minimum and maximum aggregate cancellation fees for all contracted venues is $260,163 and $474,913, respectively.

NOTE 9 – Net Assets

Unrestricted Net Assets – Board Designated Operating Reserve

The Organization defines Board Designated Operating Reserves as the portion of unrestricted net assets that has been designated for use in emergencies and to sustain financial operations in the event budgeted revenues are not realized or unforeseen expenses are incurred. The presence of an operating reserve provides the Organization with flexibility to respond adeptly to rapidly changing economic and other conditions that warrant an immediate shift in strategy. The Board has established a target of maintaining a minimum, fully funded operating reserve sufficient to fund four months of budgeted operating costs as modified for projected availability of financial resources restricted for the purpose of funding a growing research grant portfolio. At June 30, 2012, the Board Designated Operating Reserve balance was $5,840,000 and represented approximately 5 months of budgeted fiscal 2013 operating expense. At June 30, 2011, the balance of $1,250,000 represented approximately 1.1 months of budgeted fiscal 2012 operating expense.

Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	June 30,	
	2012	**2011**
Time restricted net assets:		
Unrestricted use	$ 671,956	$ 726,880
Purposes restricted net assets:		
Research grants	4,824	13,454
Grantee development	75,000	
Patient Services literature and outreach		268,845
	$ 751,780	$ 1,009,179

PANCREATIC CANCER ACTION NETWORK, INC.

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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, 2012 and 2011, the Organization made nondiscretionary contributions of $142,345 and $119,595, respectively, towards its employees' 401(k) retirement accounts.

NOTE 11 – Joint Costs

For the years ended June 30, 2012 and 2011, 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,	
	2012	2011
Program service costs	$ 163,885	$ 139,065
General and administrative	10,199	6,778
Fund-raising	24,061	17,685
	$ 198,145	$ 163,528

NOTE 12 – Supplemental Disclosure of Cash Flow Information

	For the Year Ended June 30,	
	2012	2011
Interest paid	$ 1,893	$ 2,378