

PANCREATIC CANCER ACTION NETWORK, INC.

FINANCIAL STATEMENTS

June 30, 2014
with Summary Comparative Information for 2013

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Pancreatic Cancer Action Network, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.


We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pancreatic Cancer Action Network, Inc. as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Pancreatic Cancer Action Network, Inc.'s 2013 financial statements, and our report dated September 13, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Long Beach, California
September 11, 2014

PANCREATIC CANCER ACTION NETWORK, INC.

**STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014 WITH COMPARATIVE TOTALS FOR 2013**

ASSETS

	June 30,	
	2014	2013
ASSETS		
Cash and cash equivalents	\$ 3,070,628	\$ 1,662,657
Investments	11,139,687	11,060,486
Pledges receivable, net	3,649,760	2,163,507
Sundry receivables	353,335	283,700
Inventory	39,248	40,942
Prepaid expenses	473,987	324,838
Property and equipment, net	1,140,525	722,370
Other assets	134,203	101,898
TOTAL ASSETS	<u>\$ 20,001,373</u>	<u>\$ 16,360,398</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	\$ 823,639	\$ 595,915
Accrued expenses	779,339	664,143
Grant obligations, net	7,294,245	5,759,930
Deferred lease liability	609,415	620,517
Capital lease obligations	10,027	15,739
	<u>9,516,665</u>	<u>7,656,244</u>

COMMITMENTS (Note 8)

NET ASSETS		
Unrestricted		
Undesignated operating funds	1,025,430	1,318,805
Board designated operating reserve	8,600,000	6,370,000
Total unrestricted	<u>9,625,430</u>	<u>7,688,805</u>
Temporarily restricted	859,278	1,015,349
	<u>10,484,708</u>	<u>8,704,154</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 20,001,373</u>	<u>\$ 16,360,398</u>

The accompanying notes are an integral part of these statements.

PANCREATIC CANCER ACTION NETWORK, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE TOTALS FOR 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>June 30,</u>	
			<u>2014</u>	<u>2013</u>
REVENUE, GAINS AND OTHER SUPPORT				
Contributions	\$ 5,256,071	\$ 4,185,390	\$ 9,441,461	\$ 8,964,579
Special events (net of direct costs of \$2,293,259 and \$2,173,152, for 2014 and 2013, respectively)	11,154,371	678,137	11,832,508	10,705,207
Store sales, net	16,745		16,745	(12,012)
Other income	485		485	8,448
Investment return	936,784		936,784	222,158
Net assets released from restrictions	<u>5,019,598</u>	<u>(5,019,598)</u>	<u> </u>	<u> </u>
 Total Revenue, Gains and Other Support	 <u>22,384,054</u>	 <u>(156,071)</u>	 <u>22,227,983</u>	 <u>19,888,380</u>
EXPENSES				
Program services:				
Research	7,378,082		7,378,082	6,914,781
Advocacy	1,901,687		1,901,687	2,208,453
Patient services	2,848,073		2,848,073	2,655,869
Community outreach	5,210,925		5,210,925	4,817,307
Total Program Services	<u>17,338,767</u>		<u>17,338,767</u>	<u>16,596,410</u>
Supporting services:				
General and administrative	1,067,067		1,067,067	587,363
Fund-raising	2,041,595		2,041,595	1,737,180
Total Supporting Services	<u>3,108,662</u>		<u>3,108,662</u>	<u>2,324,543</u>
 Total Expenses	 <u>20,447,429</u>		 <u>20,447,429</u>	 <u>18,920,953</u>
 INCREASE IN NET ASSETS	 1,936,625	 (156,071)	 1,780,554	 967,427
 NET ASSETS AT BEGINNING OF YEAR	 <u>7,688,805</u>	 <u>1,015,349</u>	 <u>8,704,154</u>	 <u>7,736,727</u>
 NET ASSETS AT END OF YEAR	 <u>\$ 9,625,430</u>	 <u>\$ 859,278</u>	 <u>\$10,484,708</u>	 <u>\$ 8,704,154</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, 2014 WITH COMPARATIVE TOTALS FOR 2013**

	Program Services				Total Program	Supporting Services			Total 2014	Total 2013
	Research	Advocacy	Patient Services	Community Outreach		General and Administrative	Fund-raising	Total Supporting		
Salaries	\$ 804,279	\$ 798,780	\$ 1,266,043	\$ 2,480,603	\$ 5,349,705	\$ 554,857	\$ 997,721	\$ 1,552,578	\$ 6,902,283	\$ 6,113,130
Payroll taxes and benefits	124,180	126,322	216,699	415,289	882,490	96,131	145,528	241,659	1,124,149	980,923
Research grants	5,711,309				5,711,309				5,711,309	5,472,972
Conferences	47,251	12,086	65,842	15,880	141,059	25,938	25,119	51,057	192,116	152,144
Workshops	68,416	287,474	70,658	29,420	455,968	17		17	455,985	1,041,387
Special events							23,682	23,682	23,682	42,662
Professional services	157,095	180,939	354,841	299,827	992,702	115,992	174,545	290,537	1,283,239	1,014,702
Accounting, legal and regulatory fees	132,009	5,190	8,659	16,845	162,703	3,480	6,242	9,722	172,425	39,759
Advertising	4,974	60,386	182,050	563,374	810,784	1,904	5,385	7,289	818,073	756,165
Insurance	7,191	6,827	11,964	63,030	89,012	11,545	9,076	20,621	109,633	94,729
Bank and processing fees	79,073	75,168	131,609	268,068	553,918	90,152	107,361	197,513	751,431	656,693
Occupancy	96,604	180,868	160,777	327,433	765,682	66,425	121,986	188,411	954,093	906,570
Voice and data communication	8,098	9,660	9,931	32,459	60,148	12,671	14,760	27,431	87,579	68,317
Information technology	29,850	48,486	48,686	198,746	325,768	6,373	44,309	50,682	376,450	193,575
Supplies	5,417	5,720	9,772	20,174	41,083	4,139	11,459	15,598	56,681	78,376
Printing	2,689	3,543	100,707	23,145	130,084	1,587	57,812	59,399	189,483	280,006
Postage and shipping	2,747	2,841	59,419	34,269	99,276	3,722	43,085	46,807	146,083	188,734
Travel and development	65,321	27,301	15,886	274,066	382,574	2,882	201,817	204,699	587,273	452,764
Staff support	10,862	10,222	16,089	58,611	95,784	8,303	13,007	21,310	117,094	97,783
Equipment and maintenance	3,698	3,513	6,156	24,324	37,691	2,610	4,670	7,280	44,971	37,433
Directors' meetings						45,059		45,059	45,059	27,143
Miscellaneous	4,771	44,691	3,142	23,733	76,337	5,647	18,544	24,191	100,528	71,031
Depreciation and amortization	12,248	11,670	109,143	41,629	174,690	7,633	15,487	23,120	197,810	153,955
2014 TOTALS	\$ 7,378,082	\$ 1,901,687	\$ 2,848,073	\$ 5,210,925	\$ 17,338,767	\$ 1,067,067	\$ 2,041,595	\$ 3,108,662	\$ 20,447,429	
2013 TOTALS	\$ 6,914,781	\$ 2,208,453	\$ 2,655,869	\$ 4,817,307	\$ 16,596,410	\$ 587,363	\$ 1,737,180	\$ 2,324,543		\$ 18,920,953
PERCENTAGE OF TOTAL EXPENSES:										
2014	36%	9%	14%	26%	85%	5%	10%	15%	100%	
2013	37%	12%	14%	25%	88%	3%	9%	12%		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, 2014
WITH COMPARATIVE TOTALS FOR 2013**

	For the Year Ended June 30,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 1,780,554	\$ 967,427
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	197,810	153,955
Net realized and unrealized (gains) losses on investments	(668,340)	28,307
Loss on disposition of equipment		7,860
Provision for uncollectible pledges	5,000	5,000
Changes in operating assets and liabilities:		
Pledges receivable and sundry receivables	(1,560,888)	(995,232)
Inventory	1,694	27,299
Prepaid expenses and other assets	(181,454)	179,118
Accounts payable and accrued expenses	342,920	115,438
Grant obligations	1,534,315	2,488,650
Deferred lease liability	(11,102)	3,359
Net Cash Provided By Operating Activities	1,440,509	2,981,181
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(6,669,076)	(6,906,523)
Proceeds from sale of investments	7,258,215	4,332,455
Purchase of property and equipment	(615,965)	(189,646)
Net Cash Used In Investing Activities	(26,826)	(2,763,714)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease obligations	(5,712)	(5,272)
Net Cash Used In Financing Activities	(5,712)	(5,272)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,407,971	212,195
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,662,657	1,450,462
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 3,070,628</u>	<u>\$ 1,662,657</u>

The accompanying notes are an integral part of these statements.

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 WITH COMPARATIVE TOTALS FOR 2013**

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 2014 and 2013, this event raised \$573,663 and \$883,296, 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 2014 and 2013, volunteer-based events raised \$11,258,844 and \$9,821,911, 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.

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 WITH COMPARATIVE TOTALS FOR 2013**

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, 2014 and 2013, 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, 2013 with an auditors' report date of September 13, 2013, 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.

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 WITH COMPARATIVE TOTALS FOR 2013**

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 conditions are 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.

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 WITH COMPARATIVE TOTALS FOR 2013**

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. The Organization capitalizes expenditures for property and equipment greater than \$5,000. 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 2014 and 2013.

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.

Intangible Assets

Intangible assets consist of trademarks, which are comprised of costs to register and service trademarks carried at historical costs. These acquired trademarks have indefinite lives and are not subject to amortization until its useful life is no longer indefinite. The trademark is tested for impairment on an annual basis. During the year ended June 30, 2014, no impairment was deemed necessary by management.

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.)

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 WITH COMPARATIVE TOTALS FOR 2013**

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. As of June 30, 2014 and 2013, there were no outstanding bequests included in sundry receivables.

Donated materials, contributed services and other noncash donations are recorded as contributions at their estimated fair values on the date received. The Organization recorded \$460,137 and \$572,124 representing the estimated fair value of donated goods and services in 2014 and 2013, respectively. Many individuals, most of whom are active in one of the fifty-eight nationwide Community Outreach volunteer affiliates as of June 30, 2014, 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 \$112,000 and \$42,000 in professional legal services provided to the Organization at no cost for the years ended June 30, 2014 and 2013, respectively.

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 WITH COMPARATIVE TOTALS FOR 2013**

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 8.0% of the amount of the awards granted in 2014 and 2013, 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 1.7% and 1.0% in 2014 and 2013, respectively. Unused grant awards are returned to the Organization and reduce the research grant expense.

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.

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 WITH COMPARATIVE TOTALS FOR 2013**

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.

Subsequent Events

In preparing these financial statements, the Organization's management has evaluated subsequent events and transactions for potential recognition or disclosure through September 11, 2014, the date at which the financial statements were available to be issued.

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 WITH COMPARATIVE TOTALS FOR 2013**

NOTE 3 – Investments

Investments held at June 30, 2014 and 2013 consist of:

	<u>2014</u>		<u>2013</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Fixed Income Securities:				
Corporate bonds	\$ 1,404,303	\$ 1,905,130	\$ 1,365,209	\$ 1,384,494
US Federal agencies	1,870,262	1,393,230	1,492,054	1,474,735
Mutual and Exchange				
Traded Funds:				
Bond funds	3,815,115	3,792,495	4,702,414	4,597,054
Equity funds and				
other assets	2,642,000	2,720,660	1,136,538	1,341,395
Common Stocks	<u>981,441</u>	<u>1,328,172</u>	<u>2,288,647</u>	<u>2,262,808</u>
	<u>\$ 10,713,121</u>	<u>\$ 11,139,687</u>	<u>\$ 10,984,862</u>	<u>\$ 11,060,486</u>

At June 30, 2014, fixed income securities bear maturity dates ranging from 2014 to 2027.

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

	For the Year Ended	
	June 30,	
	<u>2014</u>	<u>2013</u>
Dividend and interest income, net	\$ 268,444	\$ 250,465
Net realized and unrealized gains (losses)	<u>668,340</u>	<u>(28,307)</u>
	<u>\$ 936,784</u>	<u>\$ 222,158</u>

Dividend and interest income is reported net of investment advisor and bank fees of \$108,490 and \$117,067 in 2014 and 2013, respectively.

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 WITH COMPARATIVE TOTALS FOR 2013**

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.

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 WITH COMPARATIVE TOTALS FOR 2013**

NOTE 4 – Fair Value Hierarchy (Continued)

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.

The following tables present assets that are measured at fair value on a recurring basis at June 30, 2014 and 2013:

	<u>Fair Value Measurements at June 30, 2014</u>			<u>Total</u>	
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2014</u>	<u>2013</u>
Fixed Income					
Securities:					
Corporate bonds		\$ 1,905,130		\$ 1,905,130	\$ 1,384,494
US Federal agencies	\$ 1,393,230			1,393,230	1,474,735
Mutual and Exchange Traded Funds:					
Bond funds	3,792,495			3,792,495	4,597,054
Equity funds and other assets	2,720,660			2,720,660	1,341,395
Common Stocks	1,328,172			1,328,172	2,262,808
Total	<u>\$ 9,234,557</u>	<u>\$ 1,905,130</u>	<u>None</u>	<u>\$11,139,687</u>	<u>\$11,060,486</u>

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 WITH COMPARATIVE TOTALS FOR 2013**

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, 2014 are as follows:

<u>Year Ending June 30,</u>	
2015	\$ 1,981,424
2016	1,271,054
2017	102,000
2018	302,000
2019	102,000
Thereafter	<u>101,688</u>
	3,860,166
Less discount at a rate of 3.0%-4.5%	(191,820)
Less allowance for uncollectible pledges	<u>(18,586)</u>
	<u>\$ 3,649,760</u>

At June 30, 2014 and 2013, the total of pledges receivable that are recorded net of related discounts is \$2,629,234 and \$1,435,355, respectively. Outstanding pledge receivables that are donor restricted as to time or purpose total \$3,255,460 and \$2,086,355 as of June 30, 2014 and 2013, respectively.

Uncollectible pledge expense of \$5,000 was reported in miscellaneous expense in both 2014 and 2013.

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 WITH COMPARATIVE TOTALS FOR 2013**

NOTE 6 – Property and Equipment

Property and equipment consists of the following:

	June 30,	
	2014	2013
Furniture and equipment	\$ 440,890	\$ 430,004
Computer software	395,646	321,082
Database system and web-site	885,905	467,240
Leasehold improvements	285,573	173,723
	2,008,014	1,392,049
Accumulated depreciation and amortization	(867,489)	(669,679)
	\$ 1,140,525	\$ 722,370

Furniture and equipment includes assets acquired in exchange for capital lease obligations. The cost of capital lease equipment was \$31,093 at June 30, 2014 and 2013. Related accumulated amortization of the capital lease equipment at June 30, 2014 and 2013 was \$13,468 and \$10,360, 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 \$89,878 and \$61,070 for 2014 and 2013, respectively.

During the year ended June 30, 2014, the Organization incurred database system development and in-progress payments of \$418,664. These expenditures updated the functionality and expanded utilities and access to the Organization’s internal clinical trials database system. The Organization is obligated to pay an additional \$319,037 upon completion in November 2014.

Total depreciation and amortization expense was \$197,810 and \$153,955 for 2014 and 2013, respectively.

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 WITH COMPARATIVE TOTALS FOR 2013**

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, 2014 are as follows:

<u>Year Ending June 30,</u>	
2015	\$ 4,012,000
2016	2,308,750
2017	780,000
2018	300,000
2019	<u>75,000</u>
	7,475,750
Less discounts at rates of 1.74%	<u>(181,505)</u>
	<u>\$ 7,294,245</u>

In 2014, the Organization recorded research grants and fees of \$5,528,600, before discounts of \$123,578. This total consisted of \$5,145,000 for awards and \$383,600 for administrative fees. The Organization paid \$1,309,600 of this obligation during 2014 and the remaining \$4,093,422, net of discount, was included in grant obligations at June 30, 2014. In 2013, the Organization recorded research grants and fees of \$5,408,600, before discounts of \$82,037. This total consisted of \$5,045,000 for awards and \$363,600 for administrative fees. The Organization paid \$1,862,500 and \$1,131,100 of this obligation during 2014 and 2013, respectively. The remaining \$2,332,963, net of discount, was included in grant obligations at June 30, 2014.

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 WITH COMPARATIVE TOTALS FOR 2013**

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 \$7,740 under a lease agreement that calls for an annual increase of 4% and expires in February 2017.

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

Year Ending June 30,	
2015	\$ 910,793
2016	939,045
2017	934,696
2018	893,755
2019	920,568
Thereafter	<u>1,255,851</u>
	<u>\$ 5,854,708</u>

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 WITH COMPARATIVE TOTALS FOR 2013**

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 \$740 per month through May 2017. At June 30, 2014, 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:

<u>Year Ending June 30,</u>	<u>Capital Lease</u>	<u>Operating Lease</u>
2015	\$ 6,765	\$ 8,880
2016	3,943	8,880
2017	<u> </u>	<u>8,140</u>
	10,708	25,900
Less amount representing interest	(<u>681</u>)	<u> </u>
	<u>\$ 10,027</u>	<u>\$ 25,900</u>

In 2014 and 2013, rental expense for operating leases was \$971,944 and \$920,307, 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 2016. The agreements call for payment of cancellation fees that range from a minimum of \$20,997 to \$144,978. The minimum and maximum aggregate cancellation fees for all contracted venues is \$283,693 and \$618,489, respectively.

PANCREATIC CANCER ACTION NETWORK, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 WITH COMPARATIVE TOTALS FOR 2013

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, 2014, the Board Designated Operating Reserve balance was \$8,600,000 and represented approximately five months of budgeted fiscal 2015 operating expense. At June 30, 2013, the Board Designated Operating Reserve balance was \$6,370,000 and represented approximately five months of budgeted fiscal 2014 operating expense.

Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	June 30,	
	2014	2013
Time restricted net assets:		
Unrestricted use	\$ 571,958	\$ 600,319
Purpose restricted net assets:		
Research grants	37,320	18,220
Patient Services Clinical Trial database	<u>250,000</u>	<u>396,810</u>
	<u>\$ 859,278</u>	<u>\$ 1,015,349</u>

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
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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, 2014 and 2013, the Organization made nondiscretionary contributions of \$196,243 and \$181,469, respectively, towards its employees’ 401(k) retirement accounts.

NOTE 11 – Supplemental Disclosure of Cash Flow Information

	For the Year Ended June 30,	
	2014	2013
Interest paid	<u>\$ 1,052</u>	<u>\$ 1,493</u>