

2011-2012 Financial Results

The Pancreatic Cancer Action Network embraces our obligation to provide financial and operational transparency that allows you to make informed decisions regarding the best use of your financial resources and time.

We believe the traditional reporting mechanisms and the standard nonprofit industry metrics are often confusing tools for purposes of measuring whether an organization is effectively pursuing and achieving its mission. The following discussion of the financial results of the organization for the year ended June 30, 2012 is provided so that you may better understand how we are employing your contributions to comprehensively, strategically, and effectively reach our Vision of Progress goal of doubling the pancreatic cancer survival rate by 2020.

ORGANIZATION OPERATING PHILOSOPHY

Since inception, the Organization's management and Board of Directors have recognized that the basic tenets of a well-managed, for-profit business apply equally to the nonprofit sector. We annually evaluate our strengths and weaknesses, our successes and failures, reassess and reaffirm or modify our strategic goals, and create a comprehensive plan that will deliver progress in the next year.

Inevitably, the budget is aggressive, mirroring the nature of the disease and the urgent need for progress. Our strategic plan is comprehensive, and each strategy builds upon the others so that we are able to leverage all we do for the greatest benefit to the community. Our strategies and priorities are intentionally planned and executed to meet the needs of an urgent problem, but we strive to be responsive and flexible enough to address a rapidly changing environment.

We work as a team internally and with all of our constituents in a spirit of community and collaboration to inspire, challenge, and support each other to be the very best.

Each year, the first budget priority is to increase the strategic investment in research grants and nurture the expansion of a robust scientific community. In conjunction, we leverage our investment in government affairs to increase federal research dollars for pancreatic cancer scientists.

Our patient services programs and events are mindful of the urgent nature of a pancreatic cancer diagnosis, and our personalized call center is set up to respond to these needs free of charge. We provide knowledge-sharing symposiums, educational lectures, and webinars at little or no cost; literature is regularly updated to reflect the most accurate information possible and is also provided free of charge to health care professionals across the country.

Management decisions always reflect a respect for the vital role of our passionate volunteer base. We are mindful of the sacrifices that our volunteers make on a daily basis to grow our movement.

While we are always cognizant of the impact of strategic financial decisions on the fundraising and general and administrative expense ratios that are heavily publicized industry standards, we will not let those metrics deter us from making the financial commitments necessary to invest in infrastructure, technology, and team members to achieve our mission as quickly as possible.

Importantly, management believes that in order to perform with the highest level of professionalism, knowledge, efficiency, and compassion, it is necessary to recruit and retain the best people available and provide the training and support they need to do the job well and capitalize on their drive and passion.

2012 STRATEGIC PRIORITIES

In fiscal 2012, in addition to the recurring annual goals of increasing the number of grants and grant dollars awarded and continuing to grow the quality of the programs and services we provide to our constituents, the Organization focused on capitalizing on the considerable momentum built as a direct result of our comprehensive approach to fighting the disease and our goal to double the survival rate by 2020.

We made significant investments across the Organization in the human infrastructure necessary to proactively support our growing and motivated volunteer base, to respond to the growing number of constituent inquiries into our patient services program, to firmly establish our leadership role in recognizing and responding to the needs of the scientific and medical communities, and to address a severely understaffed donor and corporate relations team.

Marketing campaigns were augmented to increase awareness of the importance of clinical trials for patients, to recruit volunteers to our affiliate program, and to call attention to the immediate need to secure a vote on the Recalcitrant Cancer Research Act, formerly known as the Pancreatic Cancer Research & Education Act, before the end of the current congressional session.

2012 REVENUE

Overall, the Organization's revenue growth ran contrary to the experience of the broader nonprofit sector that has struggled to return to 2007 pre-recession revenue levels. The Organization has, in fact, reported double-digit revenue and volume growth in all but one year, 2008, since inception.

	2012	2011	% Change
Gross Revenue (in \$000s)	\$18,045	\$13,684	32%
Giving Volume	159,600	132,900	20%
Average Gift Amount	\$100*	\$103	-2.3%

**For comparability, excludes two (2) gifts totaling \$2 million received in 2012.*

In 2012, CONTRIBUTIONS increased 40 percent, to \$7.1 million, and represented 39 percent of gross revenue. These results do not reveal the lingering impact of the 2008 recession. The Contributions total was buoyed by the receipt of two gifts, including a \$1.4 million donation that represents the largest single donation received by the Organization to date, and a \$600,000 donation that enabled the funding of an additional research grant.

The vast majority of contributions are received as a result of general increased public awareness about the organization and a wish to honor or memorialize a life touched or taken by pancreatic cancer, as opposed to a response to direct appeals.

SPECIAL EVENTS includes our annual "An Evening with the Stars" gala and the proceeds from our Community Outreach program consisting of more than 195 affiliate volunteer awareness/fundraising events that historically include a broad range of event sizes and types, from polar swims and pizza nights to our growing signature PurpleLite awareness nights and PurpleStrides.

At \$9.8 million gross, Community Outreach special event receipts were more than 26 percent greater than 2011, and participation is estimated to have grown by about 32 percent, a testament to the power of volunteer passion and our growing movement, even in a sluggish economy. Community Outreach revenue included proceeds from about 270 third-party events and net revenue generated from national marathon teams and individual participation in marathons sponsored by other organizations and communities.

STORE SALES represents the proceeds from online and event day on-site sales of organization-branded merchandise, net of product costs. In May 2012, following an evaluation of the manpower and facility resources required to maintain a growing inventory of new and existing products, a strategic decision was made to move store merchandising to an outside fulfillment vendor.

In NET INVESTMENT RETURN AND OTHER, "Other" refers to \$14,000 of program revenue earned from modest registration charges for our symposium workshops and the annual Pancreatic Cancer Advocacy Day in Washington, DC. Although previously available at no cost to participants, we now charge a registration fee for these events to discourage "no shows" that were proving costly due to venue/meal attendance guarantees. The remainder of this category consists of traditional investment return components. The investment portfolio mix is guided by a Board-approved Investment Policy Statement.

2012 OPERATIONS

Combined Program and Supporting Services expenses were \$15 million in 2012, representing a 22 percent increase compared with the prior fiscal year and following a 20 percent increase reported in 2011. The budgeted increase reflected program strategies and goals that were established to demonstrate and achieve progress toward our 2020 Vision of Progress goal, while continuing to enhance the quality of our basic mission-related programs. All programs were budgeted to expand their current reach and impact.

In 2012, PROGRAM SERVICES of \$13.1 million represents 87 percent of total operating expenses, unchanged from the prior year. In addition to direct program expenses, program services include personnel costs that have been allocated between departments based on estimates of time dedicated to support or benefit those departments and programs. Certain general and administrative costs are similarly allocated. Each year, allocations are reevaluated to keep pace with the dynamic nature of the Organization. Program service expenses, as a percentage of all operating expenses, are further broken down as follows: 33 percent to Research, 13 percent to Advocacy, 16 percent to Patient Services, and 25 percent to Community Outreach.

SUPPORTING SERVICES comprises general, administrative, and fundraising expenses, and totals almost \$2 million, a 25 percent increase over the prior year. General and administrative costs that include financial services, information technology, human resources and facilities management, and executive administration account for just over one-quarter of these supporting services.

To support programs that have matured and established themselves as sources of high-quality, reliable information and support, the role of marketing as a tool to deliver clear, accurate, and appropriate messaging has also expanded. Finally, strategic fundraising by the Donor and Corporate Relations department helps us meet our aggressive budget.

FINANCIAL POSITION

The snapshot of the financial position of the Organization has been consistently solid over time. At 2012 fiscal year end, fully 87 percent of total assets are current or readily marketable. Combined cash and cash equivalents and investments of almost \$10 million increased 52 percent over the prior year and accounted for nearly all of the net change in total assets since June 30, 2011.

The primary source of cash is net proceeds from operations when the Organization successfully achieves and exceeds its annually aggressive revenue target. These funds are invested in financial instruments guided by an Investment Policy Statement established and periodically reevaluated by the Board of Directors' Audit and Investment Committee. Funds are heavily weighted in the fixed income sector, reflecting a primary investment goal of capital preservation and achievement of a net positive real return, particularly during these turbulent market times.

The Organization held significant positions in cash and cash equivalents during most of the year as a flexible safe haven. With the exception of one long-term pledge with a remaining balance payable ratably over its remaining eight-year term, the Organization's pledge balance consists largely of promises to fund research grant awards with installments due approximately concurrent with the payment of grant obligations that represent the most significant component of total liabilities.

The Organization maintains an excellent credit history and relationship with its vendors, and all but a small capital lease obligation included in the \$1.2 million accounts payable, accrued and other liabilities balance, was current at fiscal year end. Long-term investments in property include an internally developed Clinical Trials Database that launched in 2010 and is a vital component of our PALS program.

The deferred liability has accumulated due to required accounting for the rent escalation clause in our corporate facility lease. The liability will begin to reverse in 2013 once the monthly contracted lease payments are greater than the rent expense recorded in operating expenses at a constant rate over the 10-year lease term, in accordance with generally accepted accounting principles.