

# PANCREATIC CANCER ACTION NETWORK, INC.

## FINANCIAL STATEMENTS

June 30, 2015  
with Summary Comparative Information for 2014

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## INDEPENDENT AUDITORS' REPORT

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

### Report on Financial Statements

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, 2015, 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, 2015, 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 2014 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated September 11, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Windes, Inc.".

Long Beach, California  
September 29, 2015

**PANCREATIC CANCER ACTION NETWORK, INC.**

**STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2015 WITH COMPARATIVE TOTALS FOR 2014**

**ASSETS**

	<b>June 30,</b>	
	<b>2015</b>	<b>2014</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 881,956	\$ 3,070,628
Investments	16,647,816	11,139,687
Pledges receivable, net	12,379,712	3,649,760
Sundry receivables	258,453	353,335
Inventory	39,733	39,248
Prepaid expenses	506,532	473,987
Property and equipment, net	1,673,448	1,140,525
Other assets	<u>144,709</u>	<u>134,203</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 32,532,359</u></b>	<b><u>\$ 20,001,373</u></b>

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES</b>		
Accounts payable	\$ 1,446,886	\$ 823,639
Accrued expenses	1,259,151	779,339
Grant obligations, net	7,848,759	7,294,245
Deferred lease liability	576,190	609,415
Capital lease obligations	<u>3,840</u>	<u>10,027</u>
	<u>11,134,826</u>	<u>9,516,665</u>

**COMMITMENTS (Note 7)**

<b>NET ASSETS</b>		
Unrestricted		
Undesignated operating funds	\$ 2,853,316	1,025,430
Board designated operating reserve	<u>7,990,000</u>	<u>8,600,000</u>
Total unrestricted	10,843,316	9,625,430
Temporarily restricted	<u>10,554,217</u>	<u>859,278</u>
	<u>21,397,533</u>	<u>10,484,708</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 32,532,359</u></b>	<b><u>\$ 20,001,373</u></b>

The accompanying notes are an integral part of these statements.

**PANCREATIC CANCER ACTION NETWORK, INC.**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015  
WITH COMPARATIVE TOTALS FOR 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>June 30,</u>	
			<u>2015</u>	<u>2014</u>
<b>REVENUE, GAINS AND OTHER SUPPORT</b>				
Contributions	\$ 5,765,061	\$ 18,031,071	\$ 23,796,132	\$ 9,441,461
Special events (net of direct costs of \$2,068,598 and \$2,293,259, for 2015 and 2014, respectively)	12,742,731		12,742,731	11,832,508
Store sales, net	10,958		10,958	16,745
Other income	17,000		17,000	485
Investment return	( 172,440)		( 172,440)	936,784
Net assets released from restrictions	<u>8,336,132</u>	<u>( 8,336,132)</u>		
Total Revenue, Gains and Other Support	<u>26,699,442</u>	<u>9,694,939</u>	<u>36,394,381</u>	<u>22,227,983</u>
<b>EXPENSES</b>				
Program services:				
Research	9,289,641		9,289,641	7,378,082
Advocacy	2,173,426		2,173,426	1,901,687
Patient services	3,482,309		3,482,309	2,848,073
Community outreach	6,512,972		6,512,972	5,210,925
Total Program Services	<u>21,458,348</u>		<u>21,458,348</u>	<u>17,338,767</u>
Supporting services:				
General and administrative	1,366,451		1,366,451	1,067,067
Fund-raising	2,656,757		2,656,757	2,041,595
Total Supporting Services	<u>4,023,208</u>		<u>4,023,208</u>	<u>3,108,662</u>
Total Expenses	<u>25,481,556</u>		<u>25,481,556</u>	<u>20,447,429</u>
<b>INCREASE IN NET ASSETS</b>	1,217,886	9,694,939	10,912,825	1,780,554
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>9,625,430</u>	<u>859,278</u>	<u>10,484,708</u>	<u>8,704,154</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 10,843,316</u>	<u>\$ 10,554,217</u>	<u>\$ 21,397,533</u>	<u>\$ 10,484,708</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, 2015 WITH COMPARATIVE TOTALS FOR 2014**

	Program Services				Total Program	Supporting Services			Total 2015	Total 2014
	Research	Advocacy	Patient Services	Community Outreach		General and Administrative	Fund-raising	Total Supporting		
Salaries	\$ 1,056,258	\$ 814,618	\$ 1,403,986	\$ 2,618,446	\$ 5,893,308	\$ 724,612	\$ 1,102,995	\$ 1,827,607	\$ 7,720,915	\$ 6,902,283
Payroll taxes and benefits	154,421	122,569	237,473	440,813	955,276	133,301	163,479	296,780	1,252,056	1,124,149
Research grants	7,035,280		5,000		7,040,280				7,040,280	5,711,309
Conferences	46,050	8,717	81,552	2,566	138,885	47,203	18,051	65,254	204,139	192,116
Workshops	104,497	397,794	47,687	523,286	1,073,264	14,932		14,932	1,088,196	455,985
Special events										23,682
Professional services	352,276	299,508	613,392	600,613	1,865,789	96,792	582,666	679,458	2,545,247	1,283,239
Accounting, legal and regulatory fees	43,884	8,023	15,333	27,079	94,319	7,610	12,367	19,977	114,296	172,425
Advertising	10,100	41,972	260,326	938,305	1,250,703	8,724	11,804	20,528	1,271,231	818,073
Insurance	10,244	8,324	22,036	65,892	106,496	7,367	10,736	18,103	124,599	109,633
Bank and processing fees	100,911	78,585	146,807	266,565	592,868	70,109	113,986	184,095	776,963	751,431
Occupancy	115,658	205,012	166,947	305,420	793,037	79,466	121,502	200,968	994,005	954,093
Information technology	73,464	68,262	79,139	175,979	396,844	43,691	69,641	113,332	510,176	464,029
Supplies	7,832	6,396	11,136	20,279	45,643	4,951	10,150	15,101	60,744	56,681
Printing	6,018	5,647	145,612	24,493	181,770	3,695	65,019	68,714	250,484	189,483
Postage and shipping	3,652	3,709	57,802	22,478	87,641	2,420	79,751	82,171	169,812	146,083
Travel and development	69,803	20,866	11,334	231,927	333,930	( 135)	206,924	206,789	540,719	587,273
Staff support	37,437	25,251	46,040	168,300	277,028	21,634	43,027	64,661	341,689	117,094
Equipment and maintenance	2,864	2,127	3,793	24,190	32,974	1,889	3,195	5,084	38,058	44,971
Directors' meetings						47,954		47,954	47,954	45,059
Miscellaneous	11,202	45,611	7,603	18,840	83,256	8,184	27,172	35,356	118,612	100,528
Depreciation and amortization	47,790	10,435	119,311	37,501	215,037	42,052	14,292	56,344	271,381	197,810
<b>2015 TOTALS</b>	<b>\$ 9,289,641</b>	<b>\$ 2,173,426</b>	<b>\$ 3,482,309</b>	<b>\$ 6,512,972</b>	<b>\$ 21,458,348</b>	<b>\$ 1,366,451</b>	<b>\$ 2,656,757</b>	<b>\$ 4,023,208</b>	<b>\$ 25,481,556</b>	
<b>2014 TOTALS</b>	<b>\$ 7,378,082</b>	<b>\$ 1,901,687</b>	<b>\$ 2,848,073</b>	<b>\$ 5,210,925</b>	<b>\$ 17,338,767</b>	<b>\$ 1,067,067</b>	<b>\$ 2,041,595</b>	<b>\$ 3,108,662</b>		<b>\$ 20,447,429</b>
<b>PERCENTAGE OF TOTAL EXPENSES:</b>										
2015	36%	9%	14%	26%	85%	5%	10%	15%	100%	
2014	36%	9%	14%	26%	85%	5%	10%	15%		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, 2015  
WITH COMPARATIVE TOTALS FOR 2014**

	<b>For the Year Ended June 30,</b>	
	<b>2015</b>	<b>2014</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$10,912,825	\$ 1,780,554
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	271,381	197,810
Net realized and unrealized (gains) losses on investments	463,535	( 668,340)
Provision for uncollectible pledges	4,998	5,000
Changes in operating assets and liabilities:		
Pledges receivable and sundry receivables	( 8,640,068)	( 1,560,888)
Inventory	( 485)	1,694
Prepaid expenses and other assets	( 43,051)	( 181,454)
Accounts payable and accrued expenses	1,103,059	342,920
Grant obligations	554,514	1,534,315
Deferred lease liability	( 33,225)	( 11,102)
Net Cash Provided By Operating Activities	4,593,483	1,440,509
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	( 13,917,119)	( 6,669,076)
Proceeds from sale of investments	7,945,455	7,258,215
Purchase of property and equipment	( 804,304)	( 615,965)
Net Cash Used In Investing Activities	( 6,775,968)	( 26,826)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on capital lease obligations	( 6,187)	( 5,712)
Net Cash Used In Financing Activities	( 6,187)	( 5,712)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	( 2,188,672)	1,407,971
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	3,070,628	1,662,657
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ 881,956	\$ 3,070,628

The accompanying notes are an integral part of these statements.



**PANCREATIC CANCER ACTION NETWORK, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015 WITH COMPARATIVE TOTALS FOR 2014**

**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. The Organization 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 2015 and 2014, volunteer-based events raised \$12,742,731 and \$11,258,844, 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, 2015 WITH COMPARATIVE TOTALS FOR 2014**

**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, 2015 and 2014, 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, 2014 with an auditors' report date of September 11, 2014, 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, 2015 WITH COMPARATIVE TOTALS FOR 2014**

**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 at 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. 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, 2015 WITH COMPARATIVE TOTALS FOR 2014**

**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.

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 and the related costs to register and service the trademarks, which are carried at historical costs. These acquired trademarks have indefinite lives and are not subject to amortization until the useful life is no longer indefinite. The trademarks are tested for impairment on an annual basis. During the year ended June 30, 2015, 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.

**PANCREATIC CANCER ACTION NETWORK, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015 WITH COMPARATIVE TOTALS FOR 2014**

**NOTE 2 – Summary of Significant Accounting Policies (Continued)**

***Fair Value Measurements (Continued)***

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 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 statement of activities as net assets released from restrictions.

**PANCREATIC CANCER ACTION NETWORK, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015 WITH COMPARATIVE TOTALS FOR 2014**

**NOTE 2 – Summary of Significant Accounting Policies (Continued)**

*Contributions (Continued)*

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. In each fiscal year, June 30, 2015 and 2014, there was one outstanding bequest valued at \$12,500 and \$8,193 respectively, included in pledges receivable.

Donated materials, contributed services and other noncash donations are recorded as contributions at their estimated fair values on the date received. The Organization recorded \$742,437 and \$460,137 representing the estimated fair value of donated goods and services in 2015 and 2014, respectively. Many individuals, most of whom are active in one of the fifty-eight nationwide Community Outreach volunteer affiliates as of June 30, 2015, 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 \$53,000 and \$112,000 in professional legal services provided to the Organization at no cost for the years ended June 30, 2015 and 2014, respectively.

*Special Events*

In 2015, special events consisted of various outreach and awareness events utilizing a nationwide volunteer network. During the year ended June 30, 2015, the Organization did not hold “An Evening with the Stars” gala. In the previous year, this event raised \$573,663, net of related expenses. 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.

**PANCREATIC CANCER ACTION NETWORK, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015 WITH COMPARATIVE TOTALS FOR 2014**

**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 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 an approximate rate of 5.0% and 8.0% of the amount of the awards granted in 2015 and 2014, respectively, and are paid from unrestricted funds. Grants and fees are recognized as expense when the grant is awarded to a named recipient. Grants with payment terms in excess of one year from the fiscal year-end are discounted to the present value of the obligation. During the year ended June 30, 2015 and 2014, grants payable were discounted using rates of 1.32% and 1.7%, 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. During the years ended June 30, 2015 and 2014, advertising expense totaled \$1,271,231 and \$818,073, respectively. Advertising expense includes the estimated fair value of donated materials, contributed services and noncash donations in the amount of \$612,526, and \$333,599 for the years ended June 30, 2015 and 2014, respectively.

***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.

**PANCREATIC CANCER ACTION NETWORK, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015 WITH COMPARATIVE TOTALS FOR 2014**

**NOTE 2 – Summary of Significant Accounting Policies (Continued)**

*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 other previously reported financial information has been reclassified to conform to the current year's presentation. The impact of such reclassifications was not significant to the prior year's overall 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 29, 2015, the date at which the financial statements were available to be issued.

**NOTE 3 – Investments**

Investments held at June 30, 2015 and 2014 consist of:

	<b>2015</b>		<b>2014</b>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Fixed Income Securities:				
Corporate bonds	\$ 2,974,415	\$ 2,955,882	\$ 1,404,303	\$ 1,905,130
US Federal agencies	1,893,191	1,896,599	1,870,262	1,393,230
Mutual and Exchange				
Traded Funds:				
Bond funds	6,312,275	6,238,996	3,815,115	3,792,495
Equity funds and				
other assets	1,887,360	1,894,809	2,642,000	2,720,660
Common Stocks	<u>3,326,701</u>	<u>3,661,530</u>	<u>981,441</u>	<u>1,328,172</u>
	<u>\$ 16,393,942</u>	<u>\$ 16,647,816</u>	<u>\$ 10,713,121</u>	<u>\$ 11,139,687</u>

At June 30, 2015, fixed income securities bear maturity dates through 2029.



**PANCREATIC CANCER ACTION NETWORK, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015 WITH COMPARATIVE TOTALS FOR 2014**

**NOTE 3 – Investments (Continued)**

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

	<b>For the Year Ended June 30,</b>	
	<u><b>2015</b></u>	<u><b>2014</b></u>
Dividend and interest income, net	\$ 291,095	\$ 268,444
Net realized and unrealized gains (losses)	( 463,535)	668,340
	<u>(\$ 172,440)</u>	<u>\$ 936,784</u>

Dividend and interest income is reported net of investment advisor and bank fees of \$113,059 and \$108,490 in 2015 and 2014, respectively.

The following tables present assets that are measured at fair value on a recurring basis at June 30, 2015 and 2014:

	<u><b>Fair Value Measurements at June 30, 2015</b></u>			<u><b>Total</b></u>	
	<u><b>Level 1</b></u>	<u><b>Level 2</b></u>	<u><b>Level 3</b></u>	<u><b>2015</b></u>	<u><b>2014</b></u>
Fixed Income					
Securities:					
Corporate bonds		\$ 2,955,882		\$ 2,955,882	\$ 1,905,130
US Federal agencies	\$ 1,896,599			1,896,599	1,393,230
Mutual and Exchange Traded Funds:					
Bond funds	6,238,996			6,238,996	3,792,495
Equity funds and other assets	1,894,809			1,894,809	2,720,660
Common Stocks	<u>3,661,530</u>			<u>3,661,530</u>	<u>1,328,172</u>
Total	<u>\$ 13,691,934</u>	<u>\$ 2,955,882</u>	<u>None</u>	<u>\$16,647,816</u>	<u>\$11,139,687</u>

**PANCREATIC CANCER ACTION NETWORK, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 4 – Pledges Receivable**

Pledges receivable consists of amounts due in installments from various individuals, foundations and corporations. Expected future collections as of June 30, 2015 are as follows:

<b><u>Year Ending</u> <u>June 30,</u></b>	
2016	\$ 6,462,488
2017	5,603,250
2018	503,250
2019	303,250
2020	102,938
Thereafter	<u>6,250</u>
	12,981,426
Less discount at a rate of 3.0%	( 581,885)
Less allowance for uncollectible pledges	<u>( 19,829)</u>
	<u>\$ 12,379,712</u>

At June 30, 2015 and 2014, the total of pledges receivable that are recorded net of related discounts is \$11,763,592 and \$2,629,234, respectively.

Uncollectible pledge expense of \$4,998 and \$5,000 was reported in miscellaneous expense in 2015 and 2014, respectively.

**PANCREATIC CANCER ACTION NETWORK, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 5 – Property and Equipment**

Property and equipment consists of the following:

	<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>
Furniture and equipment	\$ 440,890	\$ 440,890
Computer software and hardware	429,797	395,646
Database system and web-site	1,527,019	885,905
Leasehold improvements	349,758	285,573
	<u>2,747,464</u>	<u>2,008,014</u>
Accumulated depreciation and amortization	( 1,074,016)	( 867,489)
	<u>\$ 1,673,448</u>	<u>\$ 1,140,525</u>

Furniture and equipment includes assets acquired in exchange for capital lease obligations. The cost of capital lease equipment was \$31,093 at June 30, 2015 and 2014. Related accumulated amortization of the capital lease equipment at June 30, 2015 and 2014 was \$16,576 and \$13,468, respectively.

The Organization has internally developed a 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 of the internally developed clinical trials database system costs were \$133,661 and \$89,878 for 2015 and 2014, respectively.

During the year ended June 30, 2015, the Organization incurred database system development expenditures of \$641,114. These expenditures updated the functionality and expanded utilities and access to the Organization's internal clinical trials database system, including adding patients' and health care professionals' portals.

Total depreciation and amortization expense was \$271,381 and \$197,810 for 2015 and 2014, respectively.

**PANCREATIC CANCER ACTION NETWORK, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 6 – 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, 2015 are as follows:

<u>Year Ending June 30,</u>	
2016	\$ 4,447,750
2017	2,332,500
2018	945,000
2019	225,000
2020	<u>75,000</u>
	8,025,250
Less discounts at rates of 1.32%	<u>( 176,491)</u>
	<u>\$ 7,848,759</u>

During the year ended June 30, 2015, the Organization recorded new grant obligations in the amount of \$5,646,033. This amount was comprised of a grant award in the amount of \$5,490,000, administrative fees in the amount of \$260,250 and a grant obligation discount in the amount of \$104,217.

**PANCREATIC CANCER ACTION NETWORK, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015 WITH COMPARATIVE TOTALS FOR 2014**

**NOTE 7 – Commitments**

*Facilities Leases*

The Organization is obligated under operating leases for the rental of office space in Manhattan Beach and Washington D.C. The Manhattan Beach office lease included 6 months free rent and a provision for monthly payment rent escalation from \$35,250 to \$74,098 over the lease term. Rent expense is recognized on a straight-line basis, with the amount of rental expense in excess of the lease payments recorded as a deferred lease liability. The lease requires payment of allocated operating expenses and purchase of a set number of parking spaces at a rate that increases 3% annually. The Manhattan Beach lease expires October 2021, with 2 five-year term renewal options. During the year ended June 30, 2011, the Organization capitalized \$123,530 in tenant improvements for the Manhattan Beach office.

The Washington D.C. lease requires monthly payments of \$7,740, with scheduled annual increases of 4%, and expires February 2017.

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

<b>Year Ending June 30,</b>	
2016	\$ 940,338
2017	935,593
2018	893,755
2019	920,568
2020	948,185
Thereafter	<u>307,666</u>
	<u>\$ 4,946,105</u>

**PANCREATIC CANCER ACTION NETWORK, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 7 – 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 recorded as an operating lease with lease payments of \$740 per month through May 2017. The capital lease requires monthly payments of \$564, including imputed interest at 8%, and expires January 2016.

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>
2016	\$ 3,943	\$ 8,880
2017	<u>3,943</u>	<u>8,140</u>
Less amount representing interest	( <u>103</u> )	<u>17,020</u>
	<u>\$ 3,840</u>	<u>\$ 17,020</u>

During the years ended June 30, 2015 and 2014, rental expense for operating leases was \$1,002,885 and \$971,944, 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 require payment of cancellation fees that range from a minimum of \$3,150 to \$250,143. The minimum and maximum aggregate cancellation fees for all contracted venues at June 30, 2015 are \$370,180 and \$820,062, respectively.

**PANCREATIC CANCER ACTION NETWORK, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 8 – Net Assets**

*Unrestricted Net Assets – Board Designated Operating Reserve*

The Organization defines Board Designated Operating Reserve 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, 2015, the Board Designated Operating Reserve balance was \$7,990,000 and represented approximately five months of fiscal 2015 operating expense. 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.

*Temporarily Restricted Net Assets*

Temporarily restricted net assets are available for the following purposes:

	<b>June 30,</b>	
	<b>2015</b>	<b>2014</b>
Time restricted net assets:		
Unrestricted use	\$ 527,955	\$ 571,958
Purpose restricted net assets:		
Research grants and patient services	<u>10,026,262</u>	<u>287,320</u>
	<u>\$ 10,554,217</u>	<u>\$ 859,278</u>

**PANCREATIC CANCER ACTION NETWORK, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 9 – 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, 2015 and 2014, the Organization made nondiscretionary contributions of \$220,320 and \$196,243, respectively, towards its employees’ 401(k) retirement accounts.

**NOTE 10 – Supplemental Disclosure of Cash Flow Information**

	<b>For the Year Ended June 30,</b>	
	<b>2015</b>	<b>2014</b>
Interest paid	<u>\$ 1,167</u>	<u>\$ 1,052</u>