PANCREATIC CANCER ACTION NETWORK, INC.

FINANCIAL STATEMENTS
JUNE 30, 2011
WITH SUMMARY COMPARATIVE INFORMATION FOR 2010

WINDES & MCCLAUGHRY
ACCOUNTANCY CORPORATION
Certified Public Accountants & Consultants
EXCEEDING EXPECTATIONS SINCE 1926

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of Pancreatic Cancer Action Network, Inc. (the Organization) as of June 30, 2011 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Pancreatic Cancer Action Network, Inc.'s 2010 financial statements and, in our report dated September 14, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pancreatic Cancer Action Network, Inc. as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Windes & McClaughry

Long Beach, California
September 8, 2011

PANCREATIC CANCER ACTION NETWORK, INC.

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2011 WITH COMPARATIVE TOTALS FOR 2010

ASSETS

	June 30,	
	2011	2010
ASSETS		
Cash and cash equivalents	$ 2,476,755	$ 76,514
Investments	4,075,760	5,015,186
Pledges receivable, net	1,162,754	1,526,933
Sundry receivables	417,197	212,932
Inventory	165,850	81,212
Prepaid expenses	412,118	301,012
Property and equipment, net	848,984	539,106
Other assets	77,305	113,513
TOTAL ASSETS	$ 9,636,723	$ 7,866,408

LIABILITIES AND NET ASSETS

	2011	2010
LIABILITIES		
Accounts payable	$ 498,639	$ 491,790
Accrued expenses	189,925	373,009
Grant obligations	2,167,535	1,241,747
Deferred lease liability	413,728	
Capital lease obligations	25,882	33,653
	3,295,709	2,140,199
COMMITMENTS (Note 8)		
NET ASSETS		
Unrestricted	5,331,835	4,411,773
Temporarily restricted	1,009,179	1,314,436
	6,341,014	5,726,209
TOTAL LIABILITIES AND NET ASSETS	$ 9,636,723	$ 7,866,408

The accompanying notes are an integral part of these statements.

PANCREATIC CANCER ACTION NETWORK, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE TOTALS FOR 2010

	Unrestricted	Temporarily Restricted	June 30, 2011	June 30, 2010
REVENUE, GAINS AND OTHER SUPPORT				
Contributions	$ 3,812,624	$ 1,267,097	$ 5,079,721	$ 5,587,415
Special events (net of direct costs of $1,287,601 and $1,162,750 for 2011 and 2010, respectively)	6,878,562	438,088	7,316,650	5,711,899
Store sales, net	234,447		234,447	161,384
Other income	9,970		9,970	2,556
Investment return	362,192		362,192	353,659
Net assets released from restrictions	2,010,442	(2,010,442)		
Total Revenue, Gains and Other Support	13,308,237	(305,257)	13,002,980	11,816,913
EXPENSES				
Program services:				
Research	3,916,466		3,916,466	3,083,975
Advocacy	1,582,822		1,582,822	1,442,993
Patient Services	2,274,340		2,274,340	2,024,907
Community Outreach	3,050,217		3,050,217	2,514,045
Total Program Services	10,823,845		10,823,845	9,065,920
Supporting services:				
General and administrative	406,765		406,765	341,283
Fund-raising	1,157,565		1,157,565	921,631
Total Supporting Services	1,564,330		1,564,330	1,262,914
Total Expenses	12,388,175		12,388,175	10,328,834
INCREASE (DECREASE) IN NET ASSETS	920,062	(305,257)	614,805	1,488,079
NET ASSETS AT BEGINNING OF YEAR	4,411,773	1,314,436	5,726,209	4,238,130
NET ASSETS AT END OF YEAR	$ 5,331,835	$ 1,009,179	$ 6,341,014	$ 5,726,209

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, 2011 WITH COMPARATIVE TOTALS FOR 2010

	Program Services					Supporting Services				
	Research	Advocacy	Patient Services	Community Outreach	Total Program	General and Administrative	Fund-raising	Total Supporting	Total 2011	Total 2010
Salaries	$ 537,233	$ 580,077	$ 995,779	$ 1,430,417	$ 3,543,506	$ 192,144	$ 442,440	$ 634,584	$ 4,178,090	$ 3,773,637
Payroll taxes and benefits	75,444	89,114	152,372	216,075	533,005	54,737	62,610	117,347	650,352	546,435
Research grants	2,875,908				2,875,908				2,875,908	2,239,421
Grantee development	55,992				55,992				55,992	58,630
Conferences	23,516	3,411	71,654	5,260	103,841	805	6,554	7,359	111,200	77,990
Workshops	14,917	280,927	180,129	336,977	812,950				812,950	754,980
Special events							51,038	51,038	51,038	78,441
Professional services	50,414	150,360	143,667	133,130	477,571	42,490	157,833	200,323	677,894	499,633
Accounting, legal and regulatory fees	5,186	8,015	9,737	13,812	36,750	1,590	6,813	8,403	45,153	53,914
Advertising	2,766	78,477	42,716	7,599	131,558	820	4,300	5,120	136,678	119,123
Insurance	5,452	6,053	10,370	37,599	59,474	1,752	4,231	5,983	65,457	40,756
Bank and processing fees	59,988	65,264	110,591	158,379	394,222	20,918	57,072	77,990	472,212	399,289
Occupancy	77,977	160,810	166,158	205,747	610,692	30,083	64,459	94,542	705,234	387,808
Voice and data communication	6,358	7,399	10,837	22,481	47,075	1,848	5,197	7,045	54,120	57,052
Information technology	16,451	28,831	32,096	90,181	167,559	8,197	23,833	32,030	199,589	144,394
Supplies	6,252	8,520	14,996	32,031	61,799	4,537	8,704	13,241	75,040	62,836
Printing	23,357	20,416	129,110	73,612	246,495	6,360	90,018	96,378	342,873	274,990
Postage and shipping	21,638	24,660	89,188	87,149	222,635	6,617	54,644	61,261	283,896	258,594
Travel and development	23,376	20,317	12,308	111,585	167,586	1,368	87,644	89,012	256,598	213,678
Staff support	7,595	10,648	14,462	23,092	55,797	2,443	6,373	8,816	64,613	30,163
Equipment and maintenance	2,880	3,104	5,365	12,372	23,721	918	2,394	3,312	27,033	27,133
Directors' meetings						16,847		16,847	16,847	11,901
Miscellaneous	8,932	20,471	11,150	14,410	54,963	7,683	8,732	16,415	71,378	119,670
Depreciation and amortization	14,834	15,948	71,655	38,309	140,746	4,608	12,676	17,284	158,030	98,366
	$ 3,916,466	$ 1,582,822	$ 2,274,340	$ 3,050,217	$ 10,823,845	$ 406,765	$ 1,157,565	$ 1,564,330	$ 12,388,175	$ 10,328,834
Functional expense ratio	31%	13%	18%	25%	87%	3%	10%	13%	100%	100%

The accompanying notes are an integral part of these statements.

PANCREATIC CANCER ACTION NETWORK, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE TOTALS FOR 2010

	For the Year Ended June 30,	
	2011	**2010**
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	$ 614,805	$ 1,488,079
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	158,030	98,366
Net realized and unrealized gains on investments	(176,263)	(247,747)
Noncash valuation of donated inventory	2,794	6,572
Noncash donation of securities	(7,939)	(19,964)
Loss on disposition of equipment	7,527	16,560
Provision for uncollectible pledges		47,583
Changes in operating assets and liabilities:		
Pledges receivable and sundry receivables	159,914	(1,274,509)
Inventory	(87,432)	(5,609)
Prepaid expenses and other assets	(74,898)	(148,504)
Accounts payable and accrued expenses	(176,235)	125,501
Grant obligations	925,788	600,997
Deferred lease liability	413,728	
Net Cash Provided By Operating Activities	1,759,819	687,325
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(5,862,479)	(2,873,312)
Proceeds from sale of investments	6,986,107	2,034,340
Purchase of property and equipment	(475,435)	(262,518)
Net Cash Provided By (Used In) Investing Activities	648,193	(1,101,490)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease obligations	(7,771)	(7,872)
Net Cash Used In Financing Activities	(7,771)	(7,872)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,400,241	(422,037)
CASH AND CASH EQUIVALENTS—Beginning of year	76,514	498,551
CASH AND CASH EQUIVALENTS—End of year	$ 2,476,755	$ 76,514

The accompanying notes are an integral part of these statements.

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 2011 and 2010, this event raised $643,848 and $478,827, 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 2011 and 2010, volunteer-based events raised $6,672,802 and $5,233,072, 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.

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, 2011 and 2010, 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, 2010 with an auditors' report date of September 14, 2010, from which the summarized information was derived.

Use of Estimates and Assumptions

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

Cash and Cash Equivalents

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

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents (Continued)

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

Investments

Investments are recorded at fair value based on quoted prices in an active market. 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 present value of their estimated future cash flows. Amortization of the discount to present value is included in contribution revenue. Conditional promises to give are not recognized as revenue until the condition is met.

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

Inventory

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

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment are stated at cost, except for donated assets, which, except for certain facility improvements, are recorded at fair value at the time of receipt. All expenditures for property and equipment in excess of $2,500 are capitalized. Additionally, the Organization capitalizes certain direct costs associated with the development of its web-site and a database system.

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 at June 30, 2011. The Organization has not recognized these additional absorbed costs as a contribution to property and equipment in its financial statements.

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.

At June 30, 2010, in-progress payments included a deposit against the future delivery of furniture and office systems.

Fair Value Measurements

The Organization follows the guidance required for fair value measurements of financial and nonfinancial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring or nonrecurring basis. This guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The guidance also establishes a framework for measuring fair value and enhances disclosures about fair value measurements. (See Note 4).

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

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

Contributions

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

Bequests are recognized at the time the Organization receives notification of its right to them as a beneficiary, the proceeds are subject to reasonable estimation, and there are no known or probable impediments to receipt of the bequested gift. Sundry receivables include bequests receivable with estimated values of $250,000 and $70,000 at June 30, 2011 and 2010, respectively.

Donated materials, contributed services and other noncash donations are recorded as contributions at their estimated fair values on the date received. The Organization recorded $118,237 and $84,623 representing the estimated fair value of donated goods and services in 2011 and 2010, respectively. All but $14,317 in 2011 and $5,279 in 2010 of these donated goods and services were recorded as offsetting revenue and expense in Special Events net revenue in the accompanying Statement of Activities. Many individuals, most of whom are active in one of the sixty-five nationwide Community Outreach volunteer affiliates as of June 30, 2011, 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 for the year-ended June 30, 2011 do not reflect approximately $40,725 in professional legal services provided to the Organization at no cost.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Special Events

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

Research Grants

The Organization awards peer-reviewed research grants to investigators who are devoted to scientific research related to pancreatic cancer. Research grants include periodic reporting and compliance requirements that, if breached, allow the Organization to rescind its promise to pay future award installments. The Organization pays a fee for grant peer-review and administrative services provided by the American Association of Cancer Research. These fees are charged at a rate of 11.5% of the amount of the awards granted in 2011 and 2010 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 3% in 2011 and 2010. Unused grant awards returned to the Organization reduce the research grant expense and are immaterial in both years presented.

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 respective areas based on ratios estimated by management.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Income Taxes

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

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

Functional Expenses

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

Reclassifications

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

Subsequent Events

In preparing these financial statements, the Organization's management has evaluated subsequent events and transactions for potential recognition or disclosure through September 8, 2011, the date at which the financial statements were available to be issued.

NOTE 3 – Investments

Investments held at June 30, 2011 and 2010 consist of:

	2011		2010	
	Cost	Fair Value	Cost	Fair Value
Fixed Income Securities:				
Corporate bonds	$ 992,847	$ 1,037,506	$ 2,955,090	$ 3,077,718
US Federal agencies	788,986	810,040	814,003	829,594
Foreign CD			100,000	100,000
Mutual and Exchange Traded Funds:				
Bond funds	1,327,458	1,349,008		
Equity funds and other assets	327,708	335,793	448,909	396,738
Common Stocks	533,093	543,413	565,060	611,136
	$ 3,970,092	$ 4,075,760	$ 4,883,062	$ 5,015,186

At June 30, 2011, fixed income securities bear maturity dates ranging from 2013 to 2020.

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

	For the Year Ended June 30, 2011	For the Year Ended June 30, 2010
Dividend and interest income, net	$ 185,929	$ 105,912
Net realized and unrealized gains	176,263	247,747
	$ 362,192	$ 353,659

Dividend and interest income is reported net of bank fees of $57,837 and $64,936 in 2011 and 2010, respectively.

NOTE 4 – Fair Value Hierarchy

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

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

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

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

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

NOTE 4 – Fair Value Hierarchy (Continued)

The following tables present assets that are measured at fair value on a recurring basis at June 30, 2011 and 2010:

	Fair Value Measurements at June 30, 2011			Total	
	Level 1	**Level 2**	**Level 3**	**2011**	**2010**
Fixed Income Securities:					
Corporate bonds		$ 1,037,506		$ 1,037,506	$ 3,077,718
US Federal agencies	$ 810,040			810,040	829,594
Foreign CD					100,000
Mutual and Exchange Traded Funds:					
Bond funds	1,349,008			1,349,008	
Equity funds and other assets	335,793			335,793	396,738
Common Stocks	543,413			543,413	611,136
Total	$ 3,038,254	$ 1,037,506	None	$ 4,075,760	$ 5,015,186

Assets and liabilities recorded at fair value on a nonrecurring basis based on level 3 inputs include pledges receivable and grant obligations in the amount of $908,145 and $1,611,705, respectively, at June 30, 2011 and $1,136,121 and $542,250, respectively, at June 30, 2010.

NOTE 5 – Pledges Receivable

Pledges receivable consists of amounts due in installments from various individuals, foundations and a corporation. Expected future collections as of June 30, 2011 are as follows:

Year Ending June 30,	
2012	$ 527,212
2013	102,000
2014	102,000
2015	102,000
2016	102,000
Thereafter	407,013
	1,342,225
Less discounts at rates of 3% to 4.5%	(164,521)
Less allowance for uncollectible pledges	(14,950)
	$ 1,162,754

At June 30, 2011 and 2010, the total of pledges receivable that are recorded net of related discounts is $908,145 and $1,136,121, respectively. Outstanding pledge receivables that are donor restricted as to time or purpose total $1,125,841 as of June 30, 2011. All pledge receivables were donor restricted as of June 30, 2010.

The Organization recorded no uncollectible pledge expense for the fiscal year ended June 30, 2011. Uncollectible pledge expense of $47,583 was reported in miscellaneous expense in 2010.

NOTE 6 – Property and Equipment

Property and equipment consists of the following:

	June 30, 2011	June 30, 2010
Furniture and equipment	$ 413,445	$ 272,910
Computer software	258,260	142,842
Database system and web-site	353,585	82,687
Leasehold improvements	166,238	58,715
	1,191,528	557,154
Accumulated depreciation and amortization	(342,544)	(383,154)
	848,984	174,000
Database systems development and in-progress payments		365,106
	$ 848,984	$ 539,106

Furniture and equipment includes assets acquired in exchange for capital lease obligations. The cost of capital lease equipment was $31,093 and $61,581 at June 30, 2011 and 2010, respectively. Related accumulated amortization of the capital lease equipment at June 30, 2011 and 2010 was $3,626 and $27,449, respectively.

In August 2010, the Organization launched a clinical trials database system for internal use and commenced amortizing these development costs over a five-year period. The development costs for a web-site launched during 2010 are amortized over a three-year period. Amortization costs were $97,899 and $20,672 for 2011 and 2010, respectively.

Database systems development and in-progress payments at June 30, 2010 included $265,106 for development of the clinical trials database system and a $100,000 deposit made towards the purchase of furniture and office systems.

NOTE 6 – Property and Equipment (Continued)

Total depreciation and amortization expense was $158,030 and $98,366 for 2011 and 2010, respectively.

Miscellaneous expense includes charges of $7,527 and $16,560 in 2011 and 2010, respectively, related to the write-down and abandonment of certain assets in conjunction with the relocation of the corporate office in November 2010.

NOTE 7 – Grant Obligations

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

Future payments on grant obligations as of June 30, 2011 are as follows:

Year Ending June 30,	
2012	$ 1,074,750
2013	450,000
2014	450,000
2015	300,000
	2,274,750
Less discount at a rate of 3%	(107,215)
	$ 2,167,535

In 2011, the Organization recorded research grants and fees, before discounts of $81,507, of $2,949,175. This total consisted of $2,645,000 for awards and $304,175 for administrative fees. The Organization paid $1,124,425 of this obligation during 2011 and the remaining $1,743,243, net of discount, was included in grant obligations at June 30, 2011. In 2010, the Organization recorded research grants and fees, before discounts of $40,753, of $2,280,174. This total consisted of $2,045,000 for awards and $235,174 for administrative fees. The Organization paid $817,455 and $997,674 of this obligation during 2011 and 2010, respectively. The remaining $424,292, net of discount, was included in grant obligations at June 30, 2011.

NOTE 8 – Lease Obligations

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 were partially abated during the first three months of the lease term and will increase 3% annually. The agreement also calls for payment of allocated operating expenses commencing January 2012 and offers two five-year renewal options at market rates. Further, under the terms of the lease, the Organization made payments for tenant improvements during the fiscal year-ended June 30, 2011 that totaled $111,447, net of $12,083 in credits for reduced real-estate broker fees charged to the landlord in benefit of the Organization. These costs totaling $123,530 were recorded to leasehold improvements.

The Organization occupies an office space in Washington, D.C. at a monthly rate of $5,370 under a lease agreement that expires in May 2012. The lease includes a one-year renewal option at market rates.

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

Year Ending June 30,	
2012	$ 563,297
2013	775,860
2014	794,090
2015	817,913
2016	842,450
Thereafter	3,937,898
	$ 7,731,508

NOTE 8 – Lease Obligations (Continued)

Equipment Leases

The Organization leases office equipment under non-cancelable leases that are collateralized by the office equipment acquired under the agreements. One of these leases is being recorded as an operating lease with lease payments of $1,154 per month through July 2014. At June 30, 2011, a capital lease obligation that is due in January 2016 is payable in monthly installments of $695 and bears an imputed interest rate of 8%.

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

Year Ending June 30,	Capital Lease	Operating Lease
2012	$ 6,765	$ 13,848
2013	6,765	13,848
2014	6,765	13,848
2015	6,765	1,154
2016	3,942	
	31,002	42,698
Less amount representing interest	(5,120)	
	$ 25,882	$ 42,698

In 2011 and 2010, rental expense for operating leases was $719,082 and $408,497, respectively.

NOTE 9 – Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	June 30, 2011	June 30, 2010
Time restricted net assets:		
Unrestricted use	$ 726,880	$ 805,729
Purposes restricted net assets:		
Research grants	13,454	
Patient Services literature and outreach	268,845	508,707
	$ 1,009,179	$ 1,314,436

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, 2011 and 2010, the Organization made nondiscretionary contributions of $119,595 and $85,870, respectively, towards its employees' 401(k) retirement accounts.

NOTE 11 – Joint Costs

For the years ended June 30, 2011 and 2010, the Organization incurred joint costs for informational newsletters that included fund-raising appeals. These joint activities meet the purpose, audience, and content criteria required to support the allocation of these costs to the areas benefited, as follows:

	For the Year Ended June 30,	
	2011	**2010**
Program service costs	$ 139,065	$ 129,402
General and administrative	6,778	5,902
Fund-raising	17,685	16,316
	$ 163,528	$ 151,620

NOTE 12 – Supplemental Disclosure of Cash Flow Information

	For the Year Ended June 30,	
	2011	**2010**
Interest paid	$ 2,378	$ 1,378

Noncash Activity

During the year ended June 30, 2010, equipment was purchased under a capital lease totaling $31,093.