

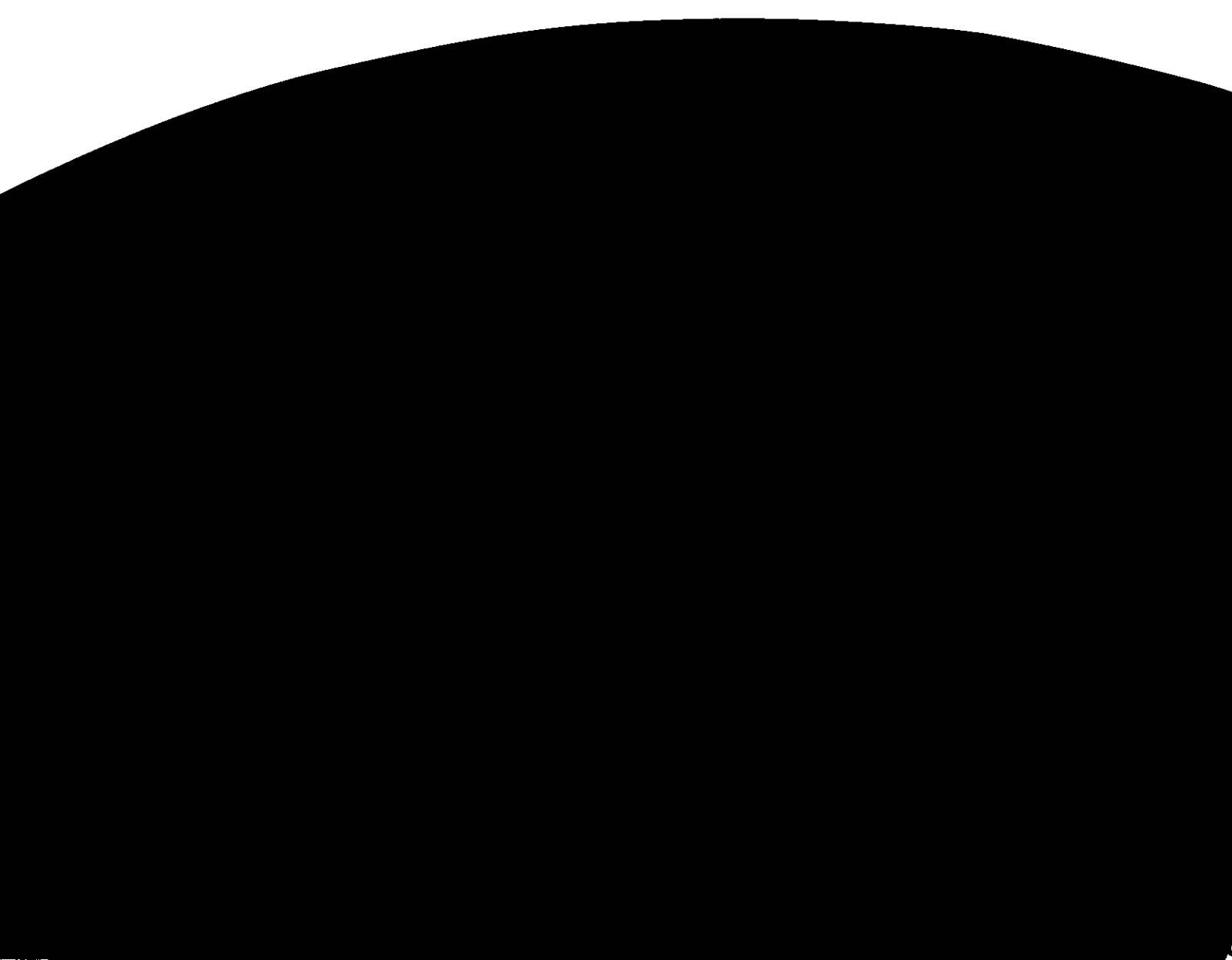
McGladrey & Pullen

Certified Public Accountants

Pancreatic Cancer Action Network, Inc.

Financial Report

June 30, 2007



Pancreatic Cancer Action Network, Inc.

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June 30, 2007

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McGladrey & Pullen

Certified Public Accountants

Independent Auditors' Report

Board of Directors of
Pancreatic Cancer Action Network, Inc.

We have audited the accompanying statement of financial position of Pancreatic Cancer Action Network, Inc. (PanCAN) as of June 30, 2007, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of PanCAN'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 PanCAN's financial statements for the year ended June 30, 2006, which were audited by Altschuler, Melvoin and Glasser LLP, certain of whose partners have become partners of McGladrey & Pullen, LLP. Altschuler, Melvoin and Glasser LLP's report, dated August 16, 2006, 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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, 2007, 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.

McGladrey & Pullen, LLP

Chicago, Illinois
September 19, 2007

Pancreatic Cancer Action Network, Inc.
Statement of Financial Position
June 30, 2007 (With Comparative Totals for 2006)

| | <u>2007</u> | <u>2006</u> |
|-----------------------------------|---------------------|---------------------|
| Assets | | |
| Cash | \$ 238,899 | \$ 244,521 |
| Investments | 3,169,677 | 1,509,230 |
| Sundry receivables | | 21,728 |
| Pledges receivable | 441,667 | 40,000 |
| Inventory | 24,782 | 31,191 |
| Prepaid expenses | 381,443 | 143,252 |
| Property and equipment | 225,659 | 192,226 |
| Other assets | 18,613 | 17,568 |
| | <u>\$ 4,500,740</u> | <u>\$ 2,199,716</u> |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Accounts payable | \$ 255,281 | \$ 135,650 |
| Accrued expenses | 183,333 | 133,577 |
| Grants payable | 862,332 | 298,332 |
| Capital lease obligations | 42,460 | 51,897 |
| | <u>1,343,406</u> | <u>619,456</u> |
| Net assets | | |
| Unrestricted | 2,657,575 | 1,530,260 |
| Temporarily restricted | 378,476 | 50,000 |
| Permanently restricted | 121,283 | |
| | <u>3,157,334</u> | <u>1,580,260</u> |
| | <u>\$ 4,500,740</u> | <u>\$ 2,199,716</u> |

Pancreatic Cancer Action Network, Inc.
Statement of Activities

Year Ended June 30, 2007 (With Comparative Totals for 2006)

| | 2007 | | | 2006 |
|---|---------------------|------------------------|------------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | |
| Revenue, gains and other support | | | | |
| Contributions | \$ 719,055 | \$ 2,290,794 | \$ 121,283 | \$ 3,131,132 |
| Special events (net of direct costs of \$644,907 and \$537,542 for 2007 and 2006, respectively) | | | | \$ 2,147,453 |
| Store sales, net | 3,947,203 | | | 3,947,203 |
| Net investment income | 81,850 | | | 81,850 |
| Miscellaneous income | 149,864 | | | 149,864 |
| Net assets released from restrictions | 1,000 | | | 1,000 |
| | 1,962,318 | (1,962,318) | | - |
| | 6,861,290 | 328,476 | 121,283 | 7,311,049 |
| Expenses | | | | 4,671,300 |
| Program services | | | | |
| Research advocacy | 2,261,349 | | | 2,261,349 |
| Patient support | 1,625,471 | | | 1,625,471 |
| Education | 1,085,736 | | | 1,085,736 |
| | 4,972,556 | | | 4,972,556 |
| Supporting services | | | | |
| General and administrative | 279,459 | | | 279,459 |
| Fundraising | 481,960 | | | 481,960 |
| | 761,419 | | | 761,419 |
| | 5,733,975 | | | 5,733,975 |
| | 1,127,315 | 328,476 | 121,283 | 1,577,074 |
| Increase (decrease) in net assets | | | | (105,416) |
| Net assets | | | | |
| Beginning of year | 1,530,260 | 50,000 | | 1,580,260 |
| End of year | \$ 2,657,575 | \$ 378,476 | \$ 121,283 | \$ 3,157,334 |
| | | | | \$ 1,580,260 |

Pancreatic Cancer Action Network, Inc.
Statement of Functional Expenses
Year Ended June 30, 2007 (With Comparative Totals for 2006)

| | 2007 | | | | | | | | | |
|----------------------------------|----------------------|--------------------|--------------|--------------|-------------------------------|---------------------|---------------------|---------------|---------------|--|
| | Program Services | | | | | Supporting Services | | | | |
| | Research Advocacy | Patient Support | Education | Program | General and Administrative | Fund- Raising | Total Supporting | 2007 Total | 2006 Total | |
| Salaries | \$ 614,555 | \$ 721,135 | \$ 506,940 | \$ 1,842,630 | \$ 119,626 | \$ 208,857 | \$ 328,483 | \$ 2,171,113 | \$ 1,537,914 | |
| Payroll taxes | 53,973 | 63,334 | 44,496 | 161,803 | 10,285 | 18,671 | 28,956 | 190,759 | 115,701 | |
| Fringe benefits | 21,486 | 35,943 | 21,102 | 78,531 | 15,348 | 10,595 | 25,943 | 104,474 | 65,114 | |
| | 690,014 | 820,412 | 572,538 | 2,082,964 | 145,259 | 238,123 | 383,382 | 2,466,346 | 1,718,729 | |
| Research grants | 1,008,125 | | | 1,008,125 | | | | 1,008,125 | 834,998 | |
| Conferences | 5,306 | 33,561 | | 38,867 | 15 | | 15 | 38,882 | 64,069 | |
| Workshops | 97,949 | 217,360 | 143,221 | 458,530 | 138 | 24 | 162 | 458,692 | 312,438 | |
| Special events | | | | | | 92,624 | 92,624 | 92,624 | 125,350 | |
| Public relations | | | | | | | | | | |
| professional fees | 93,213 | 50,959 | 35,801 | 179,973 | 7,376 | 12,045 | 19,421 | 199,394 | 378,369 | |
| Accounting and legal | | | | | | | | | | |
| professional fees | 7,795 | 9,066 | 6,231 | 23,092 | 1,577 | 2,598 | 4,175 | 27,267 | 24,646 | |
| Other professional fees | 27,331 | 80,513 | 21,633 | 129,477 | 4,853 | 11,319 | 16,172 | 145,649 | 156,554 | |
| Insurance | 9,529 | 11,106 | 7,725 | 28,360 | 1,709 | 3,267 | 4,976 | 33,336 | 42,696 | |
| Finance charges | 26,988 | 31,747 | 22,144 | 80,879 | 20,690 | 8,634 | 29,324 | 110,203 | 55,639 | |
| Occupancy | 76,769 | 76,550 | 50,876 | 204,195 | 8,275 | 21,597 | 29,872 | 234,067 | 204,231 | |
| Voice and data | | | | | | | | | | |
| communication | 11,529 | 10,856 | 7,858 | 30,243 | 1,633 | 3,146 | 4,779 | 35,022 | 47,066 | |
| Information technology | 31,200 | 36,335 | 25,846 | 93,381 | 12,501 | 12,271 | 24,772 | 118,153 | 93,230 | |
| Office supplies | 11,470 | 13,204 | 9,549 | 34,223 | 1,856 | 4,208 | 6,064 | 40,287 | 43,089 | |
| Printing | 37,955 | 118,288 | 30,471 | 186,714 | 4,374 | 26,124 | 30,498 | 217,212 | 258,040 | |
| Postage | 30,053 | 59,977 | 40,469 | 130,499 | 15,956 | 31,742 | 47,698 | 178,197 | 162,949 | |
| Travel | 47,650 | 11,503 | 59,459 | 118,612 | 5,272 | 1,401 | 6,673 | 125,285 | 100,388 | |
| Development | 1,081 | 784 | 4,698 | 6,563 | 119 | 1,010 | 1,129 | 7,692 | 17,149 | |
| Staff support | 4,934 | 5,608 | 4,663 | 15,205 | 831 | 1,691 | 2,522 | 17,727 | 13,134 | |
| Equipment rent | 2,175 | 2,578 | 1,778 | 6,531 | 269 | 772 | 1,041 | 7,572 | 8,893 | |
| Repairs and maintenance | 2,055 | 2,396 | 1,622 | 6,073 | 340 | 705 | 1,045 | 7,118 | 13,817 | |
| Dues and subscriptions | 14,420 | 2,886 | 836 | 18,142 | 275 | 467 | 742 | 18,884 | 29,191 | |
| Directors meetings | | | | | 14,601 | | 14,601 | 14,601 | 16,287 | |
| International affiliates | | | | | 10,000 | | 10,000 | 10,000 | - | |
| Advertising | 4,410 | 5,350 | 3,523 | 13,283 | 1,155 | 1,798 | 2,953 | 16,236 | - | |
| Miscellaneous | 4,641 | 7,045 | 22,386 | 34,072 | 3,197 | 2,345 | 5,542 | 39,614 | 3,556 | |
| Depreciation and amortization | 14,757 | 17,387 | 12,409 | 44,553 | 17,188 | 4,049 | 21,237 | 65,790 | 52,208 | |
| | \$ 2,261,349 | \$ 1,625,471 | \$ 1,085,736 | \$ 4,972,556 | \$ 279,459 | \$ 481,960 | \$ 761,419 | \$ 5,733,975 | \$ 4,776,716 | |

See accompanying notes.

Pancreatic Cancer Action Network, Inc.
Statement of Cash Flows
Year Ended June 30, 2007 (With Comparative Totals for 2006)

| | <u>2007</u> | <u>2006</u> |
|--|--------------------|-------------------|
| Operating activities | | |
| Increase (decrease) in net assets | \$ 1,577,074 | \$ (105,416) |
| Depreciation and amortization | 65,790 | 52,208 |
| Net gains on investments | (64,459) | (3,058) |
| Donation of property and equipment | (4,500) | (5,200) |
| Donation of securities | (13,986) | |
| Changes in | | |
| Sundry receivables and pledges receivable | (379,939) | (61,728) |
| Inventory | 6,409 | (19,068) |
| Prepaid expenses and other assets | (239,236) | (51,751) |
| Accounts payable and accrued expenses | 169,387 | 109,112 |
| Grants payable | 564,000 | 298,332 |
| Net cash provided by operating activities | <u>1,680,540</u> | <u>213,431</u> |
| Investing activities | | |
| Purchase of investments | (2,574,772) | (869,721) |
| Proceeds from sale of investments | 992,770 | 343,371 |
| Purchase of property and equipment | (94,723) | (35,756) |
| Net cash used in investing activities | <u>(1,676,725)</u> | <u>(562,106)</u> |
| Financing activities | | |
| Payments on capital leases | (9,437) | (7,407) |
| Net cash used in financing activities | <u>(9,437)</u> | <u>(7,407)</u> |
| Decrease in cash | (5,622) | (356,082) |
| Cash | | |
| Beginning of year | <u>244,521</u> | <u>600,603</u> |
| End of year | <u>\$ 238,899</u> | <u>\$ 244,521</u> |
| Supplemental disclosure of cash flow information | | |
| Interest paid | <u>\$ 6,791</u> | <u>\$ 4,638</u> |
| Supplemental schedule of noncash investing and financing activities | | |
| Equipment acquired in exchange for capital lease obligations | <u>\$ -</u> | <u>\$ 59,304</u> |

Pancreatic Cancer Action Network, Inc.
Notes to the Financial Statements
Year Ended June 30, 2007 (With Comparative Information for 2006)

Note 1 Nature of Activities and Significant Accounting Policies

Pancreatic Cancer Action Network, Inc. (PanCAN) is a national tax-exempt patient advocacy organization for the pancreatic cancer community. PanCAN was founded in 1999 and operates under the leadership of a community-based, national Board of Directors. PanCAN fulfills its mission through a comprehensive strategy that combines research, patient support and advocacy. PanCAN's activities are conducted from offices in El Segundo, California and Washington, D.C.

PanCAN derives most of its revenue from contributions and special events. Each year PanCAN holds "An Evening with the Stars" gala, that is its largest fundraising event. In 2007 and 2006, this event raised \$1,732,783 and \$572,315, respectively, net of related expenses. PanCAN also hosts various special 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 2007 and 2006, volunteer-based events raised \$2,214,420 and \$1,783,614, respectively, net of related expenses.

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

Basis of Presentation—The financial statements of PanCAN have been prepared in conformity with accounting principles applicable to nonprofit organizations. Accordingly, PanCAN'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. Unrestricted net assets include those net assets that may be used by PanCAN for any of its programs or administrative support.

Temporarily restricted net assets are subject to donor-imposed restrictions which will be met either by PanCAN's actions or the passage of time. Items that increase this net asset category are contributions restricted as to time or purpose. 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 donor-imposed restrictions that do not expire. Funds are held in perpetuity while the income is available for general use. During fiscal year 2007, PanCAN received \$121,283 to establish an endowment fund for general research of pancreatic cancer.

Cash—PanCAN maintains its cash in bank accounts which, at times, may exceed federally insured limits. PanCAN has not experienced any losses in such accounts. Management believes PanCAN is not exposed to any significant credit risk on cash.

Pledges Receivable—PanCAN recognizes donors' unconditional promises to give cash or other assets as contribution revenue in the period promises are made. Conditional promises are not recognized as revenue until the condition is met.

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

Pancreatic Cancer Action Network, Inc.

Notes to the Financial Statements

Year Ended June 30, 2007 (With Comparative Information for 2006)

Note 1 Nature of Activities and Significant Accounting Policies, *Continued*

Property and Equipment—Property and equipment are stated at cost, except for donated assets, which are recorded at fair value at the time of receipt. All expenditures for property and equipment in excess of \$2,500 are capitalized. Depreciation on furniture, equipment and computer software is being computed using the straight-line method over the estimated useful life of three to five years. Leasehold improvements are amortized on a straight-line basis over the remaining life of the lease.

Investments—Investments are recorded at market value based on quoted prices in an active market. Changes in market value are recorded as unrealized gains (losses). Contributions of securities from donors are recorded at market value at the time the gift is made.

Contributions—Contributions 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.

Donated materials and other noncash donations are recorded as contributions at their estimated fair values on the date received. Many individuals volunteer their time and perform a variety of tasks that assist PanCAN with its programs and administration, but these donated services are not reflected in the financial statements because they do not meet the criteria for inclusion.

Special Events—Special events revenue and related expenses are recognized in the period in which the event occurs. Costs paid in advance of an event are recorded as prepaid expenses.

Research Grants—PanCAN awards peer-reviewed research grants to investigators who are devoted to scientific research related to pancreatic cancer. Unconditional research grants are recognized as expense when awarded to a named recipient.

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.

Comparative Totals—The financial statements include certain prior year summarized 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 PanCAN's financial statements for the year ended June 30, 2006, from which the summarized information was derived. Certain 2006 amounts have been reclassified to conform to the current year presentation without affecting the previously reported net asset balances.

Estimates—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, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Pancreatic Cancer Action Network, Inc.
Notes to the Financial Statements
Year Ended June 30, 2007 (With Comparative Information for 2006)

Note 2 Pledges Receivable

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

| | |
|------|-------------------|
| 2008 | \$ 278,333 |
| 2009 | 113,334 |
| 2010 | 30,000 |
| 2011 | <u>20,000</u> |
| | <u>\$ 441,667</u> |

Note 3 Property and Equipment

Property and equipment at June 30, 2007 and 2006 consist of:

| | <u>2007</u> | <u>2006</u> |
|---|-------------------|-------------------|
| Furniture and equipment | \$ 292,165 | \$ 243,560 |
| Computer software | 106,407 | 63,196 |
| Leasehold improvements | <u>14,172</u> | <u>9,671</u> |
| | 412,744 | 316,427 |
| Accumulated depreciation and amortization | <u>(187,085)</u> | <u>(124,201)</u> |
| | <u>\$ 225,659</u> | <u>\$ 192,226</u> |

Furniture and equipment includes assets acquired during 2006 in exchange for capital lease obligations. At June 30, 2007, the cost and accumulated amortization of the capital lease equipment was \$59,304 and \$19,204, respectively.

Depreciation and amortization expense totaled \$65,790 and \$52,208 for 2007 and 2006, respectively.

Note 4 Investments

Investments held at June 30, 2007 and 2006 consist of:

| | <u>2007</u> | | <u>2006</u> | |
|-------------------------|---------------------|---------------------|---------------------|---------------------|
| | <u>Cost</u> | <u>Market Value</u> | <u>Cost</u> | <u>Market Value</u> |
| Money market | \$ 2,548,103 | \$ 2,548,103 | \$ 931,981 | \$ 931,981 |
| Corporate bonds | 296,964 | 296,563 | 296,964 | 291,045 |
| Mutual funds - equities | 68,266 | 103,200 | 72,964 | 92,437 |
| Common stocks | <u>183,692</u> | <u>221,811</u> | <u>174,674</u> | <u>193,767</u> |
| | <u>\$ 3,097,025</u> | <u>\$ 3,169,677</u> | <u>\$ 1,476,583</u> | <u>\$ 1,509,230</u> |

Pancreatic Cancer Action Network, Inc.
Notes to the Financial Statements
Year Ended June 30, 2007 (With Comparative Information for 2006)

Note 4 Investments, Continued

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

| | <u>2007</u> | <u>2006</u> |
|-----------------------------------|-------------------|------------------|
| Dividend and interest income | \$ 85,405 | \$ 48,328 |
| Net realized and unrealized gains | <u>64,459</u> | <u>3,058</u> |
| | <u>\$ 149,864</u> | <u>\$ 51,386</u> |

Note 5 Grants Payable

Grants payable consist of multi-year unconditional research grants that are payable over one to three years. Payments on grants payable are expected to be \$465,666 and \$396,666 during fiscal years 2008 and 2009, respectively.

During fiscal 2007, PanCAN recorded research grants expense of \$1,008,125, of which \$378,125 was paid during the year and \$630,000 was included in grants payable at June 30, 2007. During fiscal 2006, PanCAN recorded research grants expense of \$834,998, of which \$536,666 was paid prior to year-end and \$298,332 was included in grants payable at June 30, 2006.

Note 6 Lease Obligations

PanCAN occupies its corporate offices under a five-year lease agreement which provides for monthly base rentals ranging from \$15,000 to \$16,900, plus allocated operating expenses, through May 2010. PanCAN is also obligated under certain equipment leases through 2010. Future minimum lease payments under operating leases at June 30, 2007 are:

| | |
|------|-------------------|
| 2008 | \$ 194,000 |
| 2009 | 198,000 |
| 2010 | <u>186,000</u> |
| | <u>\$ 578,000</u> |

In 2007 and 2006, rental expense was \$234,067 and \$204,231, respectively.

During 2006, PanCAN financed the purchase of certain office equipment with two capital leases. The future minimum capital lease payments at June 30, 2007 are as follows:

| | |
|------------------------------|------------------|
| 2008 | \$ 16,228 |
| 2009 | 16,228 |
| 2010 | 16,228 |
| 2011 | <u>6,089</u> |
| | 54,773 |
| Amount representing interest | <u>12,313</u> |
| | <u>\$ 42,460</u> |

Pancreatic Cancer Action Network, Inc.

Notes to the Financial Statements

Year Ended June 30, 2007 (With Comparative Information for 2006)

Note 7 Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30, 2007 and 2006:

| | <u>2007</u> | <u>2006</u> |
|--|-------------------|------------------|
| Research grants - time restricted assets | \$ 360,809 | \$ 40,000 |
| Conferences | <u>17,667</u> | <u>10,000</u> |
| | <u>\$ 378,476</u> | <u>\$ 50,000</u> |

