

PANCREATIC CANCER ACTION NETWORK, INC.

FINANCIAL STATEMENTS

June 30, 2017
(with Comparative Totals for 2016)

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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, 2017, 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 from 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 auditors' 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 auditors 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, 2017, 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 2016 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated October 26, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Long Beach, California
October 25, 2017

PANCREATIC CANCER ACTION NETWORK, INC.

**STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR 2016)**

ASSETS

	June 30,	
	2017	2016
ASSETS		
Cash and cash equivalents	\$ 3,218,380	\$ 5,221,484
Investments	15,819,701	13,551,324
Pledges receivable, net	14,828,340	12,756,947
Sundry and other receivables	589,330	246,741
Inventory	47,537	42,484
Prepaid expenses	430,375	791,028
Property and equipment, net	2,508,204	2,422,740
Other assets	<u>156,905</u>	<u>152,617</u>
TOTAL ASSETS	<u>\$ 37,598,772</u>	<u>\$ 35,185,365</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued expenses	\$ 1,504,206	\$ 1,532,162
Accrued wages and benefits	1,253,657	1,392,300
Grant obligations, net	10,426,389	10,310,618
Deferred lease liability	440,697	520,179
Notes payable	117,009	173,101
Capital lease obligations	<u>13,644</u>	<u>16,622</u>
	<u>13,755,602</u>	<u>13,944,982</u>

COMMITMENTS AND CONTINGENCIES (Note 8)

NET ASSETS		
Unrestricted		
Undesignated operating funds	2,872,927	4,940,956
Board designated operating reserve	<u>11,060,000</u>	<u>9,420,000</u>
Total unrestricted	13,932,927	14,360,956
Temporarily restricted	<u>9,910,243</u>	<u>6,879,427</u>
	<u>23,843,170</u>	<u>21,240,383</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 37,598,772</u>	<u>\$ 35,185,365</u>

The accompanying notes are an integral part of these financial statements.

PANCREATIC CANCER ACTION NETWORK, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR 2016)**

	Unrestricted	Temporarily Restricted	June 30,	
			2017	2016
REVENUE, EARNINGS AND OTHER SUPPORT				
Contributions	\$ 8,857,728	\$ 13,972,371	\$ 22,830,099	\$ 20,190,090
Special events (net of direct costs of \$1,871,411 and \$2,114,387 for 2017 and 2016, respectively)	11,862,387	-	11,862,387	12,806,207
Store sales, net	34,908	-	34,908	24,741
Other income	6,515	-	6,515	5,940
Investment return	653,870	-	653,870	63,793
Net assets released from restrictions	<u>10,941,555</u>	<u>(10,941,555)</u>	<u>-</u>	<u>-</u>
Total Revenue, Earnings and Other Support	<u>32,356,963</u>	<u>3,030,816</u>	<u>35,387,779</u>	<u>33,090,771</u>
EXPENSES				
Program services:				
Research	13,687,036	-	13,687,036	13,587,239
Advocacy	2,066,404	-	2,066,404	2,265,218
Patient services	3,406,667	-	3,406,667	3,648,815
Community outreach	7,886,037	-	7,886,037	7,953,623
Total Program Services	<u>27,046,144</u>	<u>-</u>	<u>27,046,144</u>	<u>27,454,895</u>
Supporting services:				
General and administrative	2,790,302	-	2,790,302	2,498,043
Fund-raising	2,948,546	-	2,948,546	3,294,983
Total Supporting Services	<u>5,738,848</u>	<u>-</u>	<u>5,738,848</u>	<u>5,793,026</u>
Total Expenses	<u>32,784,992</u>	<u>-</u>	<u>32,784,992</u>	<u>33,247,921</u>
CHANGE IN NET ASSETS	(428,029)	3,030,816	2,602,787	(157,150)
NET ASSETS AT BEGINNING OF YEAR	<u>14,360,956</u>	<u>6,879,427</u>	<u>21,240,383</u>	<u>21,397,533</u>
NET ASSETS AT END OF YEAR	<u>\$ 13,932,927</u>	<u>\$ 9,910,243</u>	<u>\$ 23,843,170</u>	<u>\$ 21,240,383</u>

The accompanying notes are an integral part of these financial statements.

PANCREATIC CANCER ACTION NETWORK, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR 2016)**

	Program Services					Supporting Services			Total 2017	Total 2016
	Research	Advocacy	Patient Services	Community Outreach	Total Program	General and Administrative	Fundraising	Total Supporting		
Salaries	\$ 2,642,628	\$ 890,335	\$ 1,741,105	\$ 3,190,937	\$ 8,465,005	\$ 1,656,615	\$ 1,535,224	\$ 3,191,839	\$ 11,656,844	\$ 9,839,974
Payroll taxes and benefits	370,612	133,228	287,206	533,537	1,324,583	301,410	227,879	529,289	1,853,872	1,553,096
Research	7,323,677	-	-	-	7,323,677	-	-	-	7,323,677	9,623,077
Conferences	90,370	6,070	14,182	11,626	122,248	60,716	3,761	64,477	186,725	168,067
Workshops	288,367	441,206	68,536	815,279	1,613,388	-	-	-	1,613,388	1,374,315
Professional services	1,259,323	241,287	187,672	654,586	2,342,868	136,141	284,338	420,479	2,763,347	3,717,865
Accounting, legal and regulatory fees	62,364	17,852	36,024	64,259	180,499	32,552	29,793	62,345	242,844	95,724
Advertising	305,967	16,804	336,345	1,102,129	1,761,245	8,763	21,014	29,777	1,791,022	1,419,659
Insurance	26,384	8,960	24,175	72,034	131,553	16,726	15,480	32,206	163,759	155,127
Bank and processing fees	166,924	60,212	120,792	233,643	581,571	112,832	106,056	218,888	800,459	761,233
Occupancy	243,777	83,098	166,558	306,019	799,452	155,516	143,715	299,231	1,098,683	1,039,384
Information technology	156,043	48,139	93,348	273,222	570,752	114,134	93,775	207,909	778,661	814,110
Supplies	15,433	7,533	11,675	24,722	59,363	10,128	13,786	23,914	83,277	91,480
Printing	10,422	3,860	167,649	18,249	200,180	5,810	201,963	207,773	407,953	425,081
Postage and shipping	7,710	4,193	58,738	34,288	104,929	4,453	91,367	95,820	200,749	204,886
Travel and development	170,513	30,695	14,747	332,960	548,915	21,668	96,055	117,723	666,638	780,735
Staff support	46,229	16,273	30,734	92,560	185,796	33,215	28,142	61,357	247,153	431,499
Equipment and maintenance	5,499	1,867	3,733	36,603	47,702	3,496	3,227	6,723	54,425	55,785
Directors' meetings	-	-	-	-	-	45,540	-	45,540	45,540	63,051
Miscellaneous	9,580	34,663	3,262	14,348	61,853	31,934	18,104	50,038	111,891	153,451
Depreciation and amortization	485,214	20,129	40,186	75,036	620,565	38,653	34,867	73,520	694,085	480,322
2017 TOTALS	\$ 13,687,036	\$ 2,066,404	\$ 3,406,667	\$ 7,886,037	\$ 27,046,144	\$ 2,790,302	\$ 2,948,546	\$ 5,738,848	\$ 32,784,992	
2016 TOTALS	\$ 13,587,239	\$ 2,265,218	\$ 3,648,815	\$ 7,953,623	\$ 27,454,895	\$ 2,498,043	\$ 3,294,983	\$ 5,793,026		\$ 33,247,921
PERCENTAGE OF TOTAL EXPENSES:										
2017	42%	6%	10%	24%	82%	9%	9%	18%	100%	
2016	41%	7%	11%	24%	83%	7%	10%	17%		100%

The accompanying notes are an intergral part of these financial statements.

PANCREATIC CANCER ACTION NETWORK, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR 2016)**

	For the Year Ended June 30,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,602,787	\$ (157,150)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	694,085	480,322
Net realized and unrealized (gains) losses on investments	(347,018)	266,789
Provision for uncollectible pledges	30,000	49,500
Changes in operating assets and liabilities:		
Pledges receivable	(2,071,393)	(426,735)
Sundry and other receivables	(342,589)	11,712
Inventory	(5,053)	(2,751)
Prepaid expenses	360,653	(284,496)
Other assets	(4,288)	(7,908)
Accounts payable and accrued expenses	(27,956)	85,275
Accrued wages and benefits	(138,643)	133,151
Grant obligations	115,771	2,461,859
Deferred lease liability	(79,482)	(56,012)
Net Cash Provided By Operating Activities	786,874	2,553,556
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(9,659,041)	(2,216,336)
Proceeds from sale of investments	7,707,681	5,046,038
Purchase of property and equipment	(690,306)	(1,045,612)
Net Cash Provided By (Used In) Investing Activities	(2,641,666)	1,784,090
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	19,178	108,167
Payments made on notes payable	(164,512)	(101,033)
Payments on capital lease obligations	(2,978)	(5,252)
Net Cash Provided By (Used In) Financing Activities	(148,312)	1,882
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,003,104)	4,339,528
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	5,221,484	881,956
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 3,218,380	\$ 5,221,484

The accompanying notes are an integral part of these financial statements.

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR 2016)**

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 with 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, Washington, D.C. and New York, New York.

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 2017 and 2016, volunteer-based events raised \$11,862,387 and \$12,806,207, 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, 2017
(WITH COMPARATIVE TOTALS FOR 2016)**

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, 2017 and 2016, 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, 2016 with an auditors' report date of October 26, 2016, 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. 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 and cash equivalents.

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR 2016)**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

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 one year 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 first-in, first-out (FIFO) method.

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR 2016)**

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.

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. 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.

The Organization groups its assets and liabilities measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. The three levels of the fair value hierarchy are as follows:

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

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR 2016)**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

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.

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 bequeathed gift. As of June 30, 2017, there were no outstanding bequests. As of June 30, 2016, there were two outstanding bequests valued at \$1,020,000. Bequests are included in pledges receivable in the accompanying statement of financial position.

Donated materials, contributed services and other noncash donations are recorded as contributions at their estimated fair values on the date received. The Organization recorded \$809,388 and \$704,532 representing the estimated fair value of donated goods and services for the years ended June 30, 2017 and 2016, respectively. Many individuals, most of whom are active in one of the fifty-eight nationwide Community Outreach volunteer affiliates as of June 30, 2017, 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 \$72,000 and \$70,000 in professional legal services provided to the Organization at no cost for the years ended June 30, 2017 and 2016, respectively.

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR 2016)**

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 2.0% and 2.5% of the amount of the awards granted in 2017 and 2016, 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, 2017 and 2016, grants payable was discounted using rates of 1.84% and 1.24%, respectively. Unused grant awards are returned to the Organization and reduce the research grant expense in the year returned.

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, 2017 and 2016, advertising expense totaled \$1,791,023 and \$1,419,659, respectively. Advertising expense includes the estimated fair value of donated materials, contributed services and noncash donations in the amount of \$791,523 and \$620,883 for the years ended June 30, 2017 and 2016, 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, 2017
(WITH COMPARATIVE TOTALS FOR 2016)**

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.

Subsequent Events

In preparing these financial statements, the Organization’s management has evaluated subsequent events and transactions for potential recognition or disclosure through October 25, 2017, the date at which the financial statements were available to be issued.

NOTE 3 – Investments

Investments held at June 30, 2017 and 2016 consist of:

	2017		2016	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Fixed Income Securities:				
Corporate bonds	\$ 3,966,210	\$ 3,981,756	\$ 2,485,606	\$ 2,533,998
Municipal Bonds	2,825,000	2,827,207	-	-
US Federal agencies	2,201,588	2,199,279	1,346,508	1,373,018
Mutual and Exchange Traded Funds:				
Bond funds	2,832,767	2,829,236	5,676,075	5,696,687
Equity funds and other assets	824,730	951,027	1,059,449	995,597
Common Stocks	<u>2,409,518</u>	<u>3,031,196</u>	<u>2,776,342</u>	<u>2,952,024</u>
	<u>\$ 15,059,813</u>	<u>\$ 15,819,701</u>	<u>\$ 13,343,980</u>	<u>\$ 13,551,324</u>

At June 30, 2017, fixed income securities bear maturity dates through 2030.

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR 2016)**

NOTE 3 – Investments (Continued)

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

	For the Year Ended June 30,	
	<u>2017</u>	<u>2016</u>
Dividend and interest income, net	\$ 306,852	\$ 330,582
Net realized and unrealized gains (losses)	<u>347,018</u>	<u>(266,789)</u>
	<u>\$ 653,870</u>	<u>\$ 63,793</u>

Dividend and interest income is reported net of investment advisor and bank fees of \$116,150 and \$123,279 in 2017 and 2016, respectively.

The following tables present assets that are measured at fair value on a recurring basis at June 30, 2017 and 2016:

	<u>Fair Value Measurements at June 30, 2017</u>			<u>Total</u>	
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2017</u>	<u>2016</u>
Fixed Income					
Securities:					
Corporate bonds	\$ -	\$ 3,981,756	\$ -	\$ 3,981,756	\$ 2,533,998
Municipal Bonds	-	2,827,207	-	2,827,207	-
US Federal agencies	2,199,279	-	-	2,199,279	1,373,018
Mutual and Exchange					
Traded Funds:					
Bond funds	2,829,236	-	-	2,829,236	5,696,687
Equity funds and other assets	951,027	-	-	951,027	995,597
Common Stocks	<u>3,031,196</u>	<u>-</u>	<u>-</u>	<u>3,031,196</u>	<u>2,952,024</u>
Total	<u>\$ 9,010,738</u>	<u>\$ 6,808,963</u>	<u>\$ -</u>	<u>\$15,819,701</u>	<u>\$13,551,324</u>

PANCREATIC CANCER ACTION NETWORK, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

(WITH COMPARATIVE TOTALS FOR 2016)

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, 2017 are as follows:

<u>Year Ending</u> <u>June 30,</u>	
2018	\$ 11,905,310
2019	1,233,332
2020	619,187
2021	505,000
2022	150,000
Thereafter	<u>800,000</u>
	15,212,829
Less discount at a rate of 3.0%	(365,164)
Less allowance for uncollectible pledges	<u>(19,325)</u>
	<u>\$ 14,828,340</u>

At June 30, 2017 and 2016, the total of pledges receivable that are recorded net of related discounts is \$4,602,328 and \$9,631,466, respectively. Uncollectible pledge expense of \$30,000 and \$49,500 was reported in miscellaneous expense in the accompanying statement of activities for the years ended June 30, 2017 and 2016, respectively.

NOTE 5 – Property and Equipment

Property and equipment consists of the following:

	<u>June 30,</u>	
	<u>2017</u>	<u>2016</u>
Furniture and equipment	\$ 495,600	\$ 516,445
Computer software and hardware	681,499	424,921
Database system and web-site	2,799,248	2,329,952
Leasehold improvements	<u>726,426</u>	<u>683,000</u>
	4,702,773	3,954,318
Accumulated depreciation and amortization	<u>(2,194,569)</u>	<u>(1,531,578)</u>
	<u>\$ 2,508,204</u>	<u>\$ 2,422,740</u>

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR 2016)**

NOTE 5 – Property and Equipment (Continued)

Furniture and equipment includes assets acquired in exchange for capital lease obligations. The cost of capital lease equipment was \$15,817 and \$46,910 at June 30, 2017 and 2016, respectively. Related accumulated amortization of the capital lease equipment at June 30, 2017 and 2016 was \$5,043 and \$20,940, 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 and web-site costs were \$428,607 and \$292,987 for the years ended June 30, 2017 and 2016, respectively.

During the year ended June 30, 2017, the Organization incurred database system development expenditures of \$469,296. 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 \$694,085 and \$480,322 for the years ended June 30, 2017 and 2016, respectively.

NOTE 6 – Grant Obligations

Grant obligations consists 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, 2017 are as follows:

<u>Year Ending June 30,</u>	
2018	\$ 5,640,817
2019	3,447,479
2020	1,145,000
2021	375,000
2022	75,000
Less discounts at rates of 1.84%	<u>(256,907)</u>
	<u>\$ 10,426,389</u>

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR 2016)**

NOTE 6 – Grant Obligations (Continued)

During the year ended June 30, 2017, the Organization recorded new grant obligations in the amount of \$4,850,815. This amount was comprised of grant awards in the amount of \$4,899,979, administrative fees in the amount of \$96,000, and a grant obligation discount in the amount of \$145,164.

NOTE 7 – Notes Payable

In January 2017, the Organization entered into a note payable agreement with a financing company for the purchase and installation of IT equipment for the Manhattan Beach office for \$108,420. The note is payable in eight quarterly installments of \$14,168, including interest at 3.99%. The note is secured by the equipment.

In December 2015, the Organization entered into a note payable agreement with a financing company for the purchase and installation of office cubicles for the Manhattan Beach office for \$274,134. The note is payable in eight quarterly installments of \$35,344, including interest at 2.77%. The note is secured by equipment.

Future maturities of the notes payable at June 30, 2017 are as follows:

<u>Year Ending June 30,</u>	
2018	\$ 92,016
2019	<u>24,993</u>
	<u>\$ 117,009</u>

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR 2016)**

NOTE 8 – Commitments and Contingencies

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 six 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. In August 2017, a six-year renewal option was executed extending the lease term through October 2026. Over the lease term, the monthly rent escalation will be from \$67,810 to \$85,900.

The Washington D.C. lease requires monthly payments of \$12,861, with scheduled annual increases of 4%, and expires June 2018.

Future minimum lease payments for the corporate facility operating leases, including minimum parking accommodations, as of June 30, 2017 are as follows:

<u>Year Ending June 30,</u>	
2018	\$ 1,046,976
2019	916,717
2020	944,218
2021	972,545
2022	1,001,721
Thereafter	<u>4,696,051</u>
	<u>\$ 9,578,228</u>

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR 2016)**

NOTE 8 – Commitments and Contingencies (Continued)

Equipment Leases

The Organization leases office equipment under noncancelable 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 \$626 per month through May 2020. The other lease is recorded as a capital lease and requires monthly payments of \$354, including imputed interest at 3%, and expires May 2021.

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>
2018	\$ 4,247	\$ 7,512
2019	4,247	7,512
2020	4,247	6,260
2021	3,186	-
Less amount representing interest	<u>(2,283)</u>	<u>-</u>
	<u>\$ 13,644</u>	<u>\$ 21,284</u>

During the years ended June 30, 2017 and 2016, rental expense for operating leases was \$1,100,873 and \$1,048,601, 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 2019. The agreements require payment of cancellation fees that range from a minimum of \$3,960 to \$543,520. The minimum and maximum aggregate cancellation fees for all contracted venues at June 30, 2017 are \$694,592 and \$1,373,924, respectively.

Litigation

From time to time, the Organization is involved in certain legal proceedings and claims which arise in the normal course of business. Management does not believe that the outcome of these matters will have a material effect on the Organization's statements of financial position or activities.

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR 2016)**

NOTE 9 – 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, 2017 and 2016, the Board Designated Operating Reserve balance was \$11,060,000 and \$9,420,000, respectively, and represented approximately four months of fiscal operating expense for each year.

Temporarily Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>June 30,</u>	
	<u>2017</u>	<u>2016</u>
Time restricted net assets:		
Unrestricted use	\$ 1,396,234	\$ 651,978
Purpose restricted net assets:		
Research grants and patient services	<u>8,514,009</u>	<u>6,227,449</u>
	<u>\$ 9,910,243</u>	<u>\$ 6,879,427</u>

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, 2017 and 2016, the Organization made nondiscretionary contributions of \$350,434 and \$277,622, respectively, towards its employees’ 401(k) retirement accounts.

PANCREATIC CANCER ACTION NETWORK, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

NOTE 11 – Deferred Compensation Plan

On July 1, 2015, the Organization adopted a deferred compensation plan in accordance with Section 457(f) of the Internal Revenue Code. The purpose of this plan is to offer certain eligible employees of the Organization the opportunity to defer specified amounts of compensation on a pre-tax basis.

NOTE 12 – Supplemental Disclosure of Cash Flow Information

	For the Year Ended	
	June 30,	
	2017	2016
Interest paid	<u>\$ 6,155</u>	<u>\$ 6,207</u>
Noncash investing and financing transactions:		
Assets financed by notes payable	<u>\$ 89,242</u>	<u>\$ 165,968</u>
Assets acquired under capital lease	<u>\$ -</u>	<u>\$ 15,817</u>