

PANCREATIC CANCER ACTION NETWORK, INC.

**FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**



**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 statements of financial position of Pancreatic Cancer Action Network, Inc. (the Organization) as of June 30, 2009 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 financial statements of Pancreatic Cancer Action Network, Inc. as of June 30, 2008 were audited by other auditors whose report dated October 3, 2008 expressed an unqualified opinion on those 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, 2009, 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.

Long Beach, California
September 23, 2009

PANCREATIC CANCER ACTION NETWORK, INC.

STATEMENTS OF FINANCIAL POSITION

ASSETS

	June 30,	
	<u>2009</u>	<u>2008</u>
ASSETS		
Cash and cash equivalents	\$ 498,551	\$ 266,912
Investments	3,908,503	3,141,837
Pledges receivable, net	367,117	488,800
Sundry receivables	145,822	77,413
Inventory	82,175	46,298
Prepaid expenses	245,344	133,453
Property and equipment, net	360,421	249,584
Other assets	<u>20,677</u>	<u>18,613</u>
	<u>\$ 5,628,610</u>	<u>\$ 4,422,910</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	\$ 416,673	\$ 155,571
Accrued expenses	322,625	216,069
Grants payable	640,750	536,000
Capital lease obligations	<u>10,432</u>	<u>31,584</u>
	<u>1,390,480</u>	<u>939,224</u>
NET ASSETS		
Unrestricted	3,737,067	3,067,750
Temporarily restricted	<u>501,063</u>	<u>415,936</u>
	<u>4,238,130</u>	<u>3,483,686</u>
TOTAL	<u>\$ 5,628,610</u>	<u>\$ 4,422,910</u>

See Independent Auditors' Report
The accompanying notes are an integral part of these statements.

PANCREATIC CANCER ACTION NETWORK, INC.

**STATEMENT OF ACTIVITIES
JUNE 30, 2009**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE, GAINS, AND OTHER SUPPORT			
Contributions	\$ 2,924,101	\$ 1,140,338	\$ 4,064,439
Special events (net of direct costs of \$1,148,036)	3,706,642	1,062,627	4,769,269
Store sales, net	170,737		170,737
Other income			
Investment return	(176,994)		(176,994)
Net assets released from restrictions	<u>2,117,838</u>	<u>(2,117,838)</u>	
Total Revenue, Gains, and Other Support	<u>8,742,324</u>	<u>85,127</u>	<u>8,827,451</u>
EXPENSES			
Program services:			
Research advocacy	3,181,019		3,181,019
Patient support	1,828,122		1,828,122
Education	<u>1,971,928</u>		<u>1,971,928</u>
Total Program Services	<u>6,981,069</u>		<u>6,981,069</u>
Supporting services:			
General and administrative	234,659		234,659
Fund-raising	<u>857,279</u>		<u>857,279</u>
Total Supporting Services	<u>1,091,938</u>		<u>1,091,938</u>
Total Expenses	<u>8,073,007</u>		<u>8,073,007</u>
INCREASE IN NET ASSETS	669,317	85,127	754,444
NET ASSETS AT BEGINNING OF YEAR	<u>3,067,750</u>	<u>415,936</u>	<u>3,483,686</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,737,067</u>	<u>\$ 501,063</u>	<u>\$ 4,238,130</u>

See Independent Auditors' Report
The accompanying notes are an integral part of these statements.

PANCREATIC CANCER ACTION NETWORK, INC.

**STATEMENT OF ACTIVITIES
JUNE 30, 2008**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE, GAINS, AND OTHER SUPPORT			
Contributions	\$ 1,783,898	\$ 1,463,453	\$ 3,247,351
Special events (net of direct costs of \$847,052)	4,258,144		4,258,144
Store sales, net	137,954		137,954
Investment return	(58,600)		(58,600)
Net assets released from restrictions	<u>1,547,276</u>	<u>(1,547,276)</u>	
Total Revenue, Gains, and Other Support	<u>7,668,672</u>	<u>(83,823)</u>	<u>7,584,849</u>
EXPENSES			
Program services:			
Research advocacy	2,962,542		2,962,542
Patient support	1,907,837		1,907,837
Education	1,447,286		1,447,286
Total Program Services	<u>6,317,665</u>		<u>6,317,665</u>
Supporting services:			
General and administrative	243,287		243,287
Fund-raising	697,545		697,545
Total Supporting Services	<u>940,832</u>		<u>940,832</u>
Total Expenses	<u>7,258,497</u>		<u>7,258,497</u>
INCREASE (DECREASE) IN NET ASSETS	410,175	(83,823)	326,352
NET ASSETS AT BEGINNING OF YEAR, AS RESTATED (Note 11)	<u>2,657,575</u>	<u>499,759</u>	<u>3,157,334</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,067,750</u>	<u>\$ 415,936</u>	<u>\$ 3,483,686</u>

See Independent Auditors' Report
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, 2009**

	Program Services			Total Program	Supporting Services			2009 Total
	Research Advocacy	Patient Support	Education		General and Administrative	Fund- raising	Total Supporting	
Salaries	\$ 880,559	\$ 882,727	\$ 956,876	\$ 2,720,162	\$ 117,865	\$ 386,705	\$ 504,570	\$ 3,224,732
Payroll taxes	61,935	62,114	66,921	190,970	9,277	27,120	36,397	227,367
Employee benefits	66,330	71,181	73,678	211,189	25,473	25,578	51,051	262,240
	<u>1,008,824</u>	<u>1,016,022</u>	<u>1,097,475</u>	<u>3,122,321</u>	<u>152,615</u>	<u>439,403</u>	<u>592,018</u>	<u>3,714,339</u>
Research grants	1,210,000			1,210,000				1,210,000
Grantee development and mentoring	44,521			44,521				44,521
Conferences	49,914	31,828	247	81,989	764	842	1,606	83,595
Workshops	193,873	232,248	241,368	667,489				667,489
Special events						99,795	99,795	99,795
Public relations professional fees	102,830	15,401	15,745	133,976	1,926	6,264	8,190	142,166
Accounting and legal professional fees	13,625	6,863	14,254	34,742	8,907	2,797	11,704	46,446
Other professional fees	56,216	97,552	71,490	225,258	7,057	28,863	35,920	261,178
Advertising	66,017	17,494	16,858	100,369	2,154	14,142	16,296	116,665
Insurance	10,197	9,712	23,659	43,568	1,302	3,965	5,267	48,835
Finance charges	76,079	81,681	84,577	242,337	14,232	32,964	47,196	289,533
Occupancy	118,596	75,762	75,104	269,462	9,231	29,555	38,786	308,248
Voice and data communication	11,033	12,404	13,312	36,749	1,468	5,227	6,695	43,444
Information technology	42,528	38,204	34,690	115,422	4,163	14,063	18,226	133,648
Supplies	12,830	12,496	27,688	53,014	1,479	8,776	10,255	63,269
Printing	35,137	48,884	48,282	132,303	4,177	57,270	61,447	193,750
Postage	32,924	82,927	65,177	181,028	4,573	44,472	49,045	230,073
Travel	36,176	5,984	80,560	122,720	656	27,443	28,099	150,819
Development	832	72	2,635	3,539	9	4,344	4,353	7,892
Staff support	6,750	7,444	12,103	26,297	853	6,395	7,248	33,545
Equipment rent	2,752	2,923	3,424	9,099	398	1,174	1,572	10,671
Repairs and maintenance	2,784	3,095	2,924	8,803	383	1,220	1,603	10,406
Dues and subscriptions	25,367	1,020	127	26,514	20	11,403	11,423	37,937
Directors' meetings					14,592		14,592	14,592
Miscellaneous	960	6,678	17,417	25,055	830	8,124	8,954	34,009
Depreciation and amortization	20,254	21,428	22,812	64,494	2,870	8,778	11,648	76,142
	<u>\$ 3,181,019</u>	<u>\$ 1,828,122</u>	<u>\$ 1,971,928</u>	<u>\$ 6,981,069</u>	<u>\$ 234,659</u>	<u>\$ 857,279</u>	<u>\$ 1,091,938</u>	<u>\$ 8,073,007</u>

See Independent Auditors' Report
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, 2008**

	Program Services			Total Program	Supporting Services			2008 Total
	Research Advocacy	Patient Support	Education		General and Administrative	Fund- raising	Total Supporting	
Salaries	\$ 665,782	\$ 905,045	\$ 676,074	\$ 2,246,901	\$ 108,484	\$ 291,383	\$ 399,867	\$ 2,646,768
Payroll taxes	43,877	59,602	44,237	147,716	7,386	19,166	26,552	174,268
Employee benefits	28,866	53,560	39,360	121,786	10,066	13,422	23,488	145,274
	<u>738,525</u>	<u>1,018,207</u>	<u>759,671</u>	<u>2,516,403</u>	<u>125,936</u>	<u>323,971</u>	<u>449,907</u>	<u>2,966,310</u>
Research grants	1,120,600	1,500		1,122,100				1,122,100
Conferences	13,845	27,346		41,191				41,191
Workshops	471,394	151,596	175,510	798,500				798,500
Special events						105,728	105,728	105,728
Public relations professional fees	120,547	46,095	33,309	199,951	5,400	30,183	35,583	235,534
Accounting and legal professional fees	12,002	11,727	8,424	32,153	1,390	3,641	5,031	37,184
Other professional fees	72,319	145,791	65,257	283,367	5,033	27,354	32,387	315,754
Advertising	3,026	3,862	3,188	10,076	408	8,112	8,520	18,596
Insurance	12,814	16,521	12,012	41,347	1,865	15,105	16,970	58,317
Finance charges	35,692	50,218	36,542	122,452	59,180	15,961	75,141	197,593
Occupancy	89,476	81,376	59,442	230,294	9,117	25,132	34,249	264,543
Voice and data communication	11,265	15,392	11,643	38,300	1,725	4,846	6,571	44,871
Information technology	32,708	37,622	26,443	96,773	4,020	10,660	14,680	111,453
Supplies	10,678	14,811	23,718	49,207	1,591	8,216	9,807	59,014
Printing	35,223	116,739	40,780	192,742	4,888	31,307	36,195	228,937
Postage	30,357	89,776	59,739	179,872	4,206	43,308	47,514	227,386
Travel	56,823	7,131	63,588	127,542	506	7,350	7,856	135,398
Development	1,744	1,643	5,966	9,353	192	9,957	10,149	19,502
Staff support	35,399	18,165	15,244	68,808	1,880	5,848	7,728	76,536
Equipment rent	1,569	2,121	1,570	5,260	445	681	1,126	6,386
Repairs and maintenance	3,302	4,686	3,221	11,209	373	1,402	1,775	12,984
Dues and subscriptions	25,044	4,255	1,064	30,363	124	3,342	3,466	33,829
Directors' meetings					10,534		10,534	10,534
Miscellaneous	7,593	13,004	19,818	40,415	1,063	5,842	6,905	47,320
Depreciation and amortization	20,597	28,253	21,137	69,987	3,411	9,599	13,010	82,997
	<u>\$ 2,962,542</u>	<u>\$ 1,907,837</u>	<u>\$ 1,447,286</u>	<u>\$ 6,317,665</u>	<u>\$ 243,287</u>	<u>\$ 697,545</u>	<u>\$ 940,832</u>	<u>\$ 7,258,497</u>

See Independent Auditors' Report
The accompanying notes are an integral part of these statements.

PANCREATIC CANCER ACTION NETWORK, INC.

STATEMENTS OF CASH FLOWS

	For the Year Ended	
	June 30,	
	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 754,444	\$ 326,352
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	76,142	82,997
Net realized and unrealized losses on investments	281,123	153,705
Noncash donation of inventory	(30,000)	
Noncash donation of securities	(3,309)	(106,761)
Noncash gain on disposition of capital lease	(2,110)	
Changes in operating assets and liabilities:		
Pledges receivable and sundry receivables	53,274	(124,546)
Inventory	(5,877)	(21,516)
Prepaid expenses and other assets	(113,955)	247,990
Accounts payable and accrued expenses	367,658	(66,974)
Grants payable	104,750	(326,332)
Net Cash Provided By Operating Activities	<u>1,482,140</u>	<u>164,915</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(2,036,097)	(1,556,533)
Proceeds from sale of investments	991,617	1,537,429
Purchase of property and equipment	(195,143)	(106,922)
Net Cash Used In Investing Activities	<u>(1,239,623)</u>	<u>(126,026)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease obligations	(10,878)	(10,876)
Net Cash Used In Financing Activities	<u>(10,878)</u>	<u>(10,876)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	231,639	28,013
CASH AND CASH EQUIVALENTS—Beginning of year	<u>266,912</u>	<u>238,899</u>
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 498,551</u>	<u>\$ 266,912</u>

See Independent Auditors' Report
The accompanying notes are an integral part of these statements.

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

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 El Segundo, 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 2009 and 2008, this event raised \$587,353 and \$1,291,790, 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 2009 and 2008, volunteer-based events raised \$4,181,916 and \$2,966,354, 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 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. Unrestricted net assets include those net assets that may be used by the Organization for any of its programs or administrative support.

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

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. 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.

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.

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Investments

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

Pledges Receivable

The Organization 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.

At June 30, 2009, related parties accounted for 29% of the pledges receivable balance.

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.

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. The Organization includes the amortization of assets under capital lease obligations in depreciation expense.

Website and database system development costs (both in progress at June 30, 2009 and 2008) are capitalized under the guidelines set forth by American Institute of Certified Public Accountants' Statement of Position (SOP) 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*.

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Fair Value Measurements

On July 1, 2008, the Organization adopted the provisions of Financial Accounting Standards Board (FASB) Statement No. 157, *Fair Value Measurements*, (SFAS 157) for fair value measurements of financial assets and financial liabilities, as well as nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. SFAS 157 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. SFAS 157 also establishes a framework for measuring fair value and expands disclosures about fair value measurements. (See Note 3.) FASB Staff Position (FSP) FAS 157-2, *Effective Date of FASB Statement No. 157*, delays the effective date of SFAS 157 until fiscal years beginning after November 15, 2008 for all nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis.

On July 1, 2009, the Organization will be required to apply the provisions of SFAS 157 to fair value measurements of nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. The Organization is in the process of evaluating the impact, if any, of applying these provisions on its financial position and activities.

In October 2008, the FASB issued FASB Staff Position FAS 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active*, which was effective immediately. FSP FAS 157-3 clarifies the application of SFAS 157 in cases where the market for a financial instrument is not active and provides an example to illustrate key considerations in determining fair value in those circumstances. The Organization has considered the guidance provided by FSP FAS 157-3 in its determination of estimated fair values during 2009.

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 statements of activities as net assets released from restrictions.

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Contributions (Continued)

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 the Organization 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 consists of the “An Evening with the Stars” gala and various other events utilizing a nationwide volunteer network. The gala revenue and related expenses are recognized in the period in which the event occurs. 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. Unconditional research grants are recognized as expense when awarded to a named recipient.

Income Taxes

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

Financial Accounting Standards Board (FASB) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48), addresses the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements and prescribes a threshold of “more likely than not” for recognition and derecognition of tax positions taken or expected to be taken in a tax return. Upon adoption of FIN 48, the Organization will be required to recognize the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being recognized. Additionally, previously recognized tax positions that no longer meet the more-likely-than-not threshold should be derecognized in the first financial reporting period in which that threshold is no longer met. Changes in recognition or measurement will be reflected in the period in which the change in judgment occurs.

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued)

On December 30, 2008, FASB Staff Position FIN 48-3 *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises* deferred the effective date of FIN 48 for certain nonpublic enterprises, including nonprofit entities, for annual financial statements for periods beginning on or after December 15, 2008. As a result, the Organization has deferred the adoption of FIN 48. Management is currently assessing the impact, if any, the adoption of FIN 48 will have on the financial statements.

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.

NOTE 3 – Investments

Investments held at June 30, 2009 and 2008 consist of:

	2009		2008	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Corporate bonds	\$ 3,024,685	\$ 3,049,320	\$ 2,207,407	\$ 2,189,198
Mutual funds - equities	495,396	367,382	415,400	359,662
Common stocks	529,160	491,801	478,239	454,047
Other	_____	_____	138,930	138,930
	<u>\$ 4,049,241</u>	<u>\$ 3,908,503</u>	<u>\$ 3,239,976</u>	<u>\$ 3,141,837</u>

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 3 – Investments (Continued)

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

	For the Year Ended	
	June 30,	
	2009	2008
Dividend and interest income, net	\$ 104,129	\$ 95,105
Net realized and unrealized losses	(281,123)	(153,705)
	<u>(\$ 176,994)</u>	<u>(\$ 58,600)</u>

Dividend and interest income is reported net of bank fees of \$48,085 and \$40,354 in 2009 and 2008, respectively.

The Organization adopted SFAS 157 on July 1, 2008 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. SFAS 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). 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 adoption of SFAS 157 applies to the Organization's investments, which are accounted for at fair value on a recurring basis. The Organization's investments are valued using Level 1 inputs, quoted prices in active markets for identical assets.

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 4 – Pledges Receivable

Pledges receivable consists of amounts due in installments from various individuals and foundations. Expected future collections as of June 30, 2009 are as follows:

<u>Year Ending June 30,</u>	
2010	\$ 290,451
2011	<u>120,000</u>
	410,451
Less allowance for doubtful accounts	<u>(43,334)</u>
	<u>\$ 367,117</u>

NOTE 5 – Property and Equipment

Property and equipment consists of the following:

	<u>June 30,</u>	
	<u>2009</u>	<u>2008</u>
Furniture and equipment	\$ 274,316	\$ 285,557
Computer software	124,465	124,465
Leasehold improvements	<u>51,085</u>	<u>32,827</u>
	449,866	442,849
Accumulated depreciation and amortization	<u>(318,960)</u>	<u>(263,470)</u>
	130,906	179,379
Website and database system development costs (in progress)	<u>229,515</u>	<u>70,205</u>
	<u>\$ 360,421</u>	<u>\$ 249,584</u>

Furniture and equipment includes assets acquired in a prior year in exchange for capital lease obligations. The cost of capital lease equipment was \$30,488 and \$59,304 at June 30, 2009 and 2008, respectively. Related accumulated amortization of the capital lease equipment in 2009 and 2008 was \$20,834 and \$31,065, respectively.

Depreciation and amortization expense totaled \$76,142 and \$82,997 for 2009 and 2008, respectively.

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 6 – Grants Payable

Grants payable consists of annual installments due on multi-year unconditional research grants that are payable over one to three years. Payments on grants payable are expected to be \$640,750 during fiscal year 2010.

During fiscal 2009, the Organization recorded research grants expense of \$1,210,000, of which \$569,250 was paid during the year and \$640,750 was included in grants payable at June 30, 2009. During fiscal 2008, the Organization recorded research grants expense of \$1,120,600, of which \$584,600 was paid during the year and \$536,000 was included in grants payable at June 30, 2008.

NOTE 7 – Lease Obligations

Operating Leases

The Organization occupies its corporate offices under a five-year lease agreement, as amended during fiscal 2009, that provides for monthly base rentals ranging from \$15,000 to \$21,879, plus allocated operating expenses, through May 2010. The Organization is also obligated under certain equipment leases through 2012 and an additional office lease through 2010. Future minimum lease payments under operating leases at June 30, 2009 are:

Year Ending June 30,	
2010	\$ 280,894
2011	7,440
2012	<u>1,400</u>
	<u>\$ 289,734</u>

In 2009 and 2008, rental expense for operating leases was \$318,919 and \$270,929, respectively.

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 7 – Lease Obligations (Continued)

Capital Leases

The Organization leases office equipment under a noncancelable capital lease obligation. The capital lease is collateralized by the office equipment acquired under the agreement.

The capitalized lease obligation at June 30, 2009 is payable in monthly installments of \$677, bears an imputed interest rate of 13.35%, and is due January 2011. The future minimum capital lease payments are as follows:

<u>Year Ending</u> <u>June 30,</u>		
2010	\$	8,122
2011		<u>4,738</u>
		12,860
Less amount representing interest	(<u>2,428)</u>
	\$	<u>10,432</u>

NOTE 8 – Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>June 30,</u>	
	<u>2009</u>	<u>2008</u>
Research grants	\$ 369,064	\$ 256,508
Program workshops, literature and events	<u>10,716</u>	<u>38,145</u>
	<u>\$ 379,780</u>	<u>\$ 294,653</u>

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 9 – Retirement Plan

The Organization has a 401(k) profit-sharing plan (the Plan) covering substantially all eligible employees. Effective July 1, 2008, 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. During the year ended June 30, 2008, the Organization matched 10% of a participant's contributions up to 10% of their compensation. In addition, the Organization may make discretionary additional contributions for its employees. During the years ended June 30, 2009 and 2008, the Organization contributed \$66,905 and \$6,863, respectively, towards its employees' 401(k) retirement accounts.

NOTE 10 – Supplemental Disclosure of Cash Flow Information

	For the Year Ended June 30,	
	2009	2008
Interest paid	<u>\$ 3,324</u>	<u>\$ 5,353</u>

Noncash Activity

During the year ended June 30, 2009, equipment under capital lease was returned to the lessor with a net book value of \$8,164 and remaining lease obligation of \$10,274.

NOTE 11 – Restatement

The opening balance of temporarily restricted net assets was restated in order to correct the classification of donor-designated assets which were previously reported as permanently restricted net assets. As a result of the restatement, temporarily restricted net assets were increased by \$121,283 as of July 1, 2007.