

PANCREATIC CANCER ACTION NETWORK, INC.

FINANCIAL STATEMENTS

June 30, 2019
with Summary Comparative Information for 2018

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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, 2019, 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 consider 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, 2019, 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.

Other Matters

During the year ended June 30, 2019, Pancreatic Cancer Action Network, Inc. adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Pancreatic Cancer Action Network, Inc.'s 2018 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated October 17, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Winder, Inc.

Long Beach, California
November 7, 2019

PANCREATIC CANCER ACTION NETWORK, INC.

**STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)**

ASSETS

| | June 30, | |
|------------------------------|----------------------|----------------------|
| | 2019 | 2018 |
| ASSETS | | |
| Cash and cash equivalents | \$ 19,880,749 | \$ 5,880,018 |
| Investments | 21,969,853 | 22,948,400 |
| Pledges receivable, net | 20,603,233 | 23,987,986 |
| Sundry and other receivables | 298,326 | 471,546 |
| Inventory | 33,467 | 33,984 |
| Prepaid expenses | 610,114 | 477,296 |
| Property and equipment, net | 1,512,621 | 2,171,771 |
| Other assets | 167,052 | 164,610 |
| TOTAL ASSETS | \$ 65,075,415 | \$ 56,135,611 |

LIABILITIES AND NET ASSETS

| | | |
|---------------------------------------|-------------------|-------------------|
| LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 2,293,929 | \$ 1,753,935 |
| Accrued wages and benefits | 1,724,018 | 1,217,237 |
| Grant obligations, net | 11,519,592 | 9,826,906 |
| Deferred lease liability | 493,744 | 450,949 |
| Note payable | - | 41,397 |
| Capital lease obligations | 6,854 | 10,391 |
| | <u>16,038,137</u> | <u>13,300,815</u> |

COMMITMENTS AND CONTINGENCIES (Note 9)

| | | |
|-----------------------------------------|----------------------|----------------------|
| NET ASSETS | | |
| Without donor restrictions: | | |
| Undesignated | 12,591,755 | 6,151,678 |
| Board designated operating reserve | 12,070,000 | 10,090,000 |
| | <u>24,661,755</u> | <u>16,241,678</u> |
| With donor restrictions | 24,375,523 | 26,593,118 |
| | <u>49,037,278</u> | <u>42,834,796</u> |
| TOTAL LIABILITIES AND NET ASSETS | \$ 65,075,415 | \$ 56,135,611 |

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, 2019
(WITH COMPARATIVE TOTALS FOR 2018)**

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>June 30,</u> | |
|--------------------------------------------------------------------------------------------------------|---------------------------------------|------------------------------------|--------------------------|--------------------------|
| | | | <u>2019</u> | <u>2018</u> |
| REVENUE, EARNINGS AND OTHER SUPPORT | | | | |
| Contributions | \$ 14,164,776 | \$ 11,856,128 | \$ 26,020,904 | \$ 37,771,968 |
| Special events (net of direct costs of \$2,247,239 and \$2,058,008 for 2019 and 2018, respectively) | 14,713,039 | 36,000 | 14,749,039 | 13,436,291 |
| Store sales, net | 56,859 | - | 56,859 | 55,166 |
| Other income | 4,740 | - | 4,740 | 18,953 |
| Investment return | 1,208,547 | - | 1,208,547 | 442,653 |
| Net assets released from restrictions | <u>14,109,723</u> | <u>(14,109,723)</u> | <u>-</u> | <u>-</u> |
| Total Revenue, Earnings and Other Support | <u>44,257,684</u> | <u>(2,217,595)</u> | <u>42,040,089</u> | <u>51,725,031</u> |
| EXPENSES | | | | |
| Program services: | | | | |
| Research | 15,837,193 | - | 15,837,193 | 14,431,148 |
| Advocacy | 1,153,154 | - | 1,153,154 | 1,895,188 |
| Patient services | 3,748,725 | - | 3,748,725 | 3,300,324 |
| Community engagement | 8,013,690 | - | 8,013,690 | 6,916,589 |
| Total Program Services | <u>28,752,762</u> | <u>-</u> | <u>28,752,762</u> | <u>26,543,249</u> |
| Supporting services: | | | | |
| General and administrative | 3,374,965 | - | 3,374,965 | 3,117,860 |
| Fund-raising | 3,709,880 | - | 3,709,880 | 3,072,296 |
| Total Supporting Services | <u>7,084,845</u> | <u>-</u> | <u>7,084,845</u> | <u>6,190,156</u> |
| Total Expenses | <u>35,837,607</u> | <u>-</u> | <u>35,837,607</u> | <u>32,733,405</u> |
| CHANGE IN NET ASSETS | 8,420,077 | (2,217,595) | 6,202,482 | 18,991,626 |
| NET ASSETS AT BEGINNING OF YEAR | <u>16,241,678</u> | <u>26,593,118</u> | <u>42,834,796</u> | <u>23,843,170</u> |
| NET ASSETS AT END OF YEAR | <u>\$ 24,661,755</u> | <u>\$ 24,375,523</u> | <u>\$ 49,037,278</u> | <u>\$ 42,834,796</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, 2019
(WITH COMPARATIVE TOTALS FOR 2018)**

| | Program Services | | | | | Supporting Services | | | Total 2019 | Total 2018 |
|------------------------------------------|----------------------------------|-----------------------------|---------------------|-------------------------|---------------------------|----------------------------|---------------------|---------------------|----------------------|----------------------|
| | Research & Scientific Affairs | Gov't Affairs & Advocacy | Patient Services | Community Engagement | Total Program Services | Management & Operations | Develop- ment | Total Supporting | | |
| Salaries | \$ 3,278,369 | \$ 652,832 | \$ 2,159,575 | \$ 3,445,219 | \$ 9,535,995 | \$ 2,095,177 | \$ 1,791,357 | \$ 3,886,534 | \$ 13,422,529 | \$ 11,487,536 |
| Payroll taxes and benefits | 473,174 | 103,290 | 366,415 | 578,832 | 1,521,711 | 331,393 | 286,878 | 618,271 | 2,139,982 | 1,889,935 |
| Research | 9,457,575 | - | - | - | 9,457,575 | - | - | - | 9,457,575 | 8,552,883 |
| Conferences | 158,709 | - | 9,892 | - | 168,601 | - | - | - | 168,601 | 93,545 |
| Workshops | 151,479 | - | 18,885 | 1,486,658 | 1,657,022 | 3,829 | - | 3,829 | 1,660,851 | 1,611,648 |
| Special events | - | - | - | - | - | - | 78,041 | 78,041 | 78,041 | 98,664 |
| Professional services | 679,889 | 182,366 | 134,552 | 477,193 | 1,474,000 | 123,870 | 371,868 | 495,738 | 1,969,738 | 2,166,421 |
| Accounting, legal and regulatory fees | 40,538 | 8,137 | 27,244 | 41,743 | 117,662 | 62,067 | 22,822 | 84,889 | 202,551 | 361,707 |
| Advertising | 21,206 | 4,860 | 249,021 | 312,116 | 587,203 | 13,712 | 32,434 | 46,146 | 633,349 | 618,408 |
| Insurance | 27,885 | 5,598 | 24,933 | 71,691 | 130,107 | 18,033 | 15,699 | 33,732 | 163,839 | 162,326 |
| Bank and processing fees | 215,750 | 43,311 | 145,002 | 230,151 | 634,214 | 141,387 | 121,463 | 262,850 | 897,064 | 919,304 |
| Occupancy | 318,258 | 63,889 | 213,894 | 339,501 | 935,542 | 205,808 | 179,172 | 384,980 | 1,320,522 | 1,227,010 |
| Information technology | 172,241 | 30,110 | 103,008 | 262,065 | 567,424 | 118,939 | 98,444 | 217,383 | 784,807 | 778,793 |
| Supplies | 13,241 | 3,095 | 10,240 | 15,270 | 41,846 | 8,351 | 9,689 | 18,040 | 59,886 | 76,835 |
| Printing | 6,032 | 1,167 | 104,664 | 8,981 | 120,844 | 3,760 | 298,899 | 302,659 | 423,503 | 378,727 |
| Postage and shipping | 8,080 | 1,541 | 59,864 | 28,753 | 98,238 | 4,937 | 137,413 | 142,350 | 240,588 | 225,444 |
| Travel and development | 128,389 | 2,916 | 11,222 | 427,967 | 570,494 | 3,511 | 114,638 | 118,149 | 688,643 | 693,683 |
| Staff support | 83,055 | 19,566 | 58,861 | 155,668 | 317,150 | 51,903 | 76,636 | 128,539 | 445,689 | 344,569 |
| Equipment and maintenance | 9,428 | 1,893 | 6,336 | 34,498 | 52,155 | 6,097 | 5,307 | 11,404 | 63,559 | 35,056 |
| Directors' meetings | - | - | - | - | - | 87,391 | - | 87,391 | 87,391 | 53,391 |
| Miscellaneous | 8,091 | 16,017 | 3,049 | 30,612 | 57,769 | 54,321 | 33,881 | 88,202 | 145,971 | 170,878 |
| Depreciation and amortization | 585,804 | 12,566 | 42,068 | 66,772 | 707,210 | 40,479 | 35,239 | 75,718 | 782,928 | 786,642 |
| 2019 TOTALS | \$ 15,837,193 | \$ 1,153,154 | \$ 3,748,725 | \$ 8,013,690 | \$ 28,752,762 | \$ 3,374,965 | \$ 3,709,880 | \$ 7,084,845 | \$ 35,837,607 | |
| 2018 TOTALS | \$ 14,431,148 | \$ 1,895,188 | \$ 3,300,324 | \$ 6,916,589 | \$ 26,543,249 | \$ 3,117,860 | \$ 3,072,296 | \$ 6,190,156 | | \$ 32,733,405 |
| PERCENTAGE OF TOTAL EXPENSES: | | | | | | | | | | |
| 2019 | 44% | 3% | 11% | 22% | 80% | 10% | 10% | 20% | 100% | |
| 2018 | 44% | 6% | 10% | 21% | 81% | 10% | 9% | 19% | | 100% |

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

PANCREATIC CANCER ACTION NETWORK, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)**

| | For the Year Ended June 30, | |
|--------------------------------------------------------------------------------------|----------------------------------------|---------------|
| | 2019 | 2018 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 6,202,482 | \$ 18,991,626 |
| Adjustments to reconcile change in net assets to net cash from operating activities: | | |
| Depreciation and amortization | 782,928 | 786,642 |
| Net realized and unrealized gains on investments | (461,930) | (5,027) |
| Loss on disposal of equipment | 2,511 | 10,852 |
| Provision for uncollectible pledges | 50,000 | 75,000 |
| Changes in operating assets and liabilities: | | |
| Pledges receivable | 3,334,753 | (9,159,646) |
| Sundry and other receivables | 173,220 | 117,784 |
| Inventory | 517 | 13,553 |
| Prepaid expenses | (132,818) | (46,921) |
| Other assets | (2,442) | (7,705) |
| Accounts payable and accrued expenses | 539,994 | 249,730 |
| Accrued wages and benefits | 506,781 | (36,420) |
| Grant obligations | 1,692,686 | (599,483) |
| Deferred lease liability | 42,795 | 10,252 |
| Net Cash Provided By Operating Activities | 12,731,477 | 10,400,237 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of investments | (19,705,536) | (35,475,841) |
| Proceeds from sale of investments | 21,146,013 | 28,277,169 |
| Proceeds from sale of equipment | 2,072 | - |
| Purchase of property and equipment | (128,361) | (461,062) |
| Net Cash Provided By (Used In) Investing Activities | 1,314,188 | (7,659,734) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payments made on note payable | (41,397) | (75,612) |
| Payments on capital lease obligations | (3,537) | (3,253) |
| Net Cash Used In Financing Activities | (44,934) | (78,865) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 14,000,731 | 2,661,638 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 5,880,018 | 3,218,380 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | \$ 19,880,749 | \$ 5,880,018 |

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

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)**

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. Precision Promise is the Organization's groundbreaking platform developed to accelerate new treatment options for pancreatic cancer patients and dramatically improve outcomes. This approach includes basic and translational research funding, key opinion leader and industry partnerships, early-stage clinical development, and ultimately evaluating therapies for potential FDA approval through our adaptive clinical trial. The Early Detection Initiative is a program designed to discover key pancreatic cancer biomarkers and develop an early detection test. The study will hone in on a screenable population of people, those with new-onset diabetes — some of whom will develop pancreatic cancer. It will collect and analyze blood samples as well as use imaging in the hopes of creating a screening process to proactively find patients' pancreatic cancer earlier. 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 2019 and 2018, volunteer-based events raised \$14,749,039 and \$13,436,291, respectively, net of related direct expenses.

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)**

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 net assets without donor restrictions and net assets with donor restrictions based on the existence or absence of donor-imposed restrictions.

Net assets without donor restrictions 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.

Net assets with donor restrictions are subject to donor-imposed restrictions which will be met either by the Organization's actions or the passage of time. Donor-imposed restrictions may be temporary in nature; resulting from donor stipulations that resources be used for certain programs or services, to acquire property, or used after a specified date. Items that increase this net asset category are contributions restricted to time or purpose and include contributions that may be used for any purpose upon receipt at a future date. Net assets with donor restrictions are reclassified to net assets without donor restrictions when the restrictions have been met or have expired. Donor-imposed restrictions may be perpetual in nature; resulting from donor stipulations that resources be maintained in perpetuity. Funds are held in perpetuity while the income is available for general use. At June 30, 2019 and 2018, the Organization had no net assets with donor-imposed restrictions which were perpetual in nature.

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, 2018 with an auditors' report date of October 17, 2018, from which the summarized information was derived.

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

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.

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 net assets without donor restrictions 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.

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

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 present value of their estimated future cash flows, discounted using an estimated market return rate of 3%. 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.

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.

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

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.

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 restrictions are recorded as net assets with donor restrictions revenue. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Contributions (Continued)

Bequests are recognized at the time the Organization receives notification of its right to them as a beneficiary, the proceeds are subject to reasonable estimation, and there are no known or probable impediments to receipt of the bequeathed gift. As of June 30, 2019, there was one bequest valued at \$10,000. As of June 30, 2018, there were no outstanding bequests. 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 \$259,907 and \$31,242 representing the estimated fair value of donated goods and services for the years ended June 30, 2019 and 2018, respectively. Many individuals, most of whom are active in one of the 58 nationwide Community Engagement volunteer affiliates as of June 30, 2019, 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 \$84,000 and \$341,000 in professional legal services provided to the Organization at no cost for the years ended June 30, 2019 and 2018, respectively.

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. In addition, grant agreements for the Precision Promise and Early Detection Initiative programs have been included in grant obligations. 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 using a discount rate based on the market interest rate applicable to the year in which the obligation is made. During the years ended June 30, 2019 and 2018, grants payable was discounted using rates of 1.76% and 2.78%, respectively. Unused grant awards are returned to the Organization and reduce the research grant expense in the year returned.

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

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, 2019 and 2018, advertising expense totaled \$633,349 and \$618,408, respectively.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state laws. In December 2017, the Tax Cuts and Jobs Act (the Act) was enacted, which may result in additional unrelated business taxable income on certain fringe benefits. 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 had no material, net unrelated business income, requiring recognition for the years ended June 30, 2019 and 2018. The Organization is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

Functional Expenses

Operating expenses directly identified with a functional area are charged to that area. Expenses affecting more than one functional area are allocated to the respective areas on the basis of ratios estimated by management. The expenses that are allocated include depreciation and amortization and occupancy, which are allocated on a square-footage basis, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort.

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative-effect-transition method. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. The Organization is currently evaluating the impact of the adoption of the new standard on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* (ASU 2016-02). The guidance in this ASU supersedes the leasing guidance in *Leases (Topic 840)*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. During July 2019, the FASB voted to delay the effective date of this standard. Therefore, the standard would be effective for fiscal years beginning after December 15, 2020 and for interim periods beginning after December 15, 2021. The Organization is currently evaluating the impact of the adoption of the new standard on the financial statements.

In June 2018, the FASB issues ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08), which provides additional guidance on characterizing grants and similar contracts with resource providers as either exchange transactions or contributions, as well as distinguishing between conditional contributions and unconditional contributions. The updated standard will be effective for annual reporting periods beginning after December 15, 2018. The Organization is currently evaluating the impact of the adoption of the new standard on the financial statements.

Subsequent Events

In preparing these financial statements, the Organization's management has evaluated subsequent events and transactions for potential recognition or disclosure through November 7, 2019, the date at which the financial statements were available to be issued.

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)**

NOTE 3 – Liquidity and Availability

The total financial assets held by the Organization at June 30, 2019 and the amounts of those financial assets that could be made available for general expenditures within one year of the date of the statement of financial position are summarized in the following table:

| | |
|--------------------------------------------------------------------------|----------------------|
| Cash and cash equivalents | \$ 19,880,749 |
| Investments | 21,969,853 |
| Pledges receivable, net | 20,603,233 |
| Sundry and other receivables | <u>298,326</u> |
| | <u>62,752,161</u> |
| Less amounts not available to be used within one year due to: | |
| Donor designated for purpose or time | (24,375,523) |
| Board designation for operating reserve | <u>(12,070,000)</u> |
| Financial assets available to meet general expenditures within one year: | <u>\$ 26,306,638</u> |

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As further explained in Note 10, the Board designation for operating reserve has been established to provide the Organization with flexibility in responding to changing economic conditions.

PANCREATIC CANCER ACTION NETWORK, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

(WITH COMPARATIVE TOTALS FOR 2018)

NOTE 4 – Investments

Investments held at June 30, 2019 and 2018 consist of:

| | 2019 | | 2018 | |
|-------------------------------------------------|----------------------|----------------------|----------------------|----------------------|
| | <u>Cost</u> | <u>Fair Value</u> | <u>Cost</u> | <u>Fair Value</u> |
| Fixed Income Securities: | | | | |
| Corporate bonds | \$ 4,269,740 | \$ 4,386,700 | \$ 3,973,990 | \$ 3,882,219 |
| Municipal bonds | - | - | 1,112,565 | 1,114,160 |
| US Federal agencies | 4,700,038 | 4,857,255 | 2,584,770 | 2,571,579 |
| Commercial paper and certificates of deposit | - | - | 6,243,548 | 6,263,796 |
| Mutual and exchange traded funds: | | | | |
| Bond funds | 6,518,171 | 6,391,839 | 4,447,945 | 4,272,568 |
| Equity funds and other assets | 2,072,565 | 2,094,537 | 1,469,319 | 1,565,311 |
| Common stocks | <u>3,281,161</u> | <u>4,239,522</u> | <u>2,495,704</u> | <u>3,278,767</u> |
| | <u>\$ 20,841,675</u> | <u>\$ 21,969,853</u> | <u>\$ 22,327,841</u> | <u>\$ 22,948,400</u> |

At June 30, 2019, fixed income securities bear maturity dates through 2031.

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

| | For the Year Ended | |
|-----------------------------------|---------------------------|-------------------|
| | June 30, | |
| | <u>2019</u> | <u>2018</u> |
| Dividend and interest income, net | \$ 746,617 | \$ 437,626 |
| Net realized and unrealized gains | <u>461,930</u> | <u>5,027</u> |
| | <u>\$ 1,208,547</u> | <u>\$ 442,653</u> |

Dividend and interest income is reported net of investment advisor and bank fees of \$140,447 and \$116,297 in 2019 and 2018, respectively.

PANCREATIC CANCER ACTION NETWORK, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

(WITH COMPARATIVE TOTALS FOR 2018)

NOTE 4 – Investments (Continued)

The following tables present assets that are measured at fair value on a recurring basis at June 30, 2019 and 2018:

| | <u>Fair Value Measurements at June 30, 2019</u> | | | <u>Total</u> | |
|----------------------------------------------|-------------------------------------------------|----------------------------|--------------------|-----------------------------|-----------------------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>2019</u> | <u>2018</u> |
| Fixed Income | | | | | |
| Securities: | | | | | |
| Corporate bonds | \$ - | \$ 4,386,700 | \$ - | \$ 4,386,700 | \$ 3,882,219 |
| Municipal bonds | - | - | - | - | 1,114,160 |
| US Federal agencies | 4,857,255 | - | - | 4,857,255 | 2,571,579 |
| Commercial paper and certificates of deposit | - | - | - | - | 6,263,796 |
| Mutual and exchange traded funds: | | | | | |
| Bond funds | 6,391,839 | - | - | 6,391,839 | 4,272,568 |
| Equity funds and other assets | 2,094,537 | - | - | 2,094,537 | 1,565,311 |
| Common stocks | 4,239,522 | - | - | 4,239,522 | 3,278,767 |
| Total | <u>\$ 17,583,153</u> | <u>\$ 4,386,700</u> | <u>\$ -</u> | <u>\$ 21,969,853</u> | <u>\$ 22,948,400</u> |

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
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(WITH COMPARATIVE TOTALS FOR 2018)**

NOTE 5 – Pledges Receivable

Pledges receivable consists of amounts due in installments from various individuals, foundations, and corporations. Expected future collections as of June 30, 2019 are as follows:

| <u>Year Ending June 30,</u> | | |
|------------------------------------------|----|----------------------|
| 2020 | \$ | 8,687,065 |
| 2021 | | 6,149,667 |
| 2022 | | 5,625,000 |
| 2023 | | 435,000 |
| 2024 | | 360,000 |
| Thereafter | | <u>600,000</u> |
| | | 21,856,732 |
| Less discount at a rate of 3.0% | | (1,194,399) |
| Less allowance for uncollectible pledges | | <u>(59,100)</u> |
| | | <u>\$ 20,603,233</u> |

Uncollectible pledge expense of \$50,000 and \$75,000 was reported in miscellaneous expense in the accompanying statement of activities for the years ended June 30, 2019 and 2018, respectively.

NOTE 6 – Property and Equipment

Property and equipment consists of the following:

| | June 30, | |
|-------------------------------------------|---------------------|---------------------|
| | 2019 | 2018 |
| Furniture and equipment | \$ 495,600 | \$ 495,600 |
| Computer software and hardware | 649,374 | 649,374 |
| Database system and web-site | 3,263,200 | 3,146,455 |
| Leasehold improvements | <u>843,288</u> | <u>836,255</u> |
| | 5,251,462 | 5,127,684 |
| Accumulated depreciation and amortization | <u>(3,738,841)</u> | <u>(2,955,913)</u> |
| | <u>\$ 1,512,621</u> | <u>\$ 2,171,771</u> |

PANCREATIC CANCER ACTION NETWORK, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

(WITH COMPARATIVE TOTALS FOR 2018)

NOTE 6 – 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 at June 30, 2019 and 2018. Related accumulated amortization of the capital lease equipment at June 30, 2019 and 2018 was \$10,545 and \$7,794, 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 \$523,436 and \$525,719 for the years ended June 30, 2019 and 2018, respectively.

During the year ended June 30, 2019, the Organization incurred database system development expenditures of \$116,745. 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 \$782,928 and \$786,642 for the years ended June 30, 2019 and 2018, respectively.

NOTE 7 – 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 four years.

Future payments on grant obligations as of June 30, 2019 are as follows:

| <u>Year Ending</u> <u>June 30,</u> | |
|-----------------------------------------------|-----------------------------|
| 2020 | \$ 8,379,157 |
| 2021 | 2,604,500 |
| 2022 | 689,000 |
| 2023 | 50,000 |
| Less discount rate ranging from 1.24% - 2.78% | <u>(203,065)</u> |
| | <u><u>\$ 11,519,592</u></u> |

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
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(WITH COMPARATIVE TOTALS FOR 2018)**

NOTE 7 – Grant Obligations (Continued)

During the year ended June 30, 2019, the Organization recorded new grant obligations in the amount of \$3,116,599. This amount was comprised of grant awards in the amount of \$3,200,000 and a grant obligation discount in the amount of \$83,401. Also during the year ended June 30, 2019, the Organization recorded new grant agreements related to Precision Promise and Early Detection Initiative in the amount of \$2,622,000.

NOTE 8 – Note 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 was payable in eight quarterly installments of \$14,168, including interest at 3.99%. The note was secured by the equipment. The note was paid off prior to June 30, 2019.

NOTE 9 – 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. In August 2017, a six-year renewal option was executed for the Manhattan Beach office, extending the lease term through October 2026. Over the lease term, the monthly rent escalation will be from \$67,810 to \$85,900. Rent expense is recognized on a straight-line basis, with the amount of rental expense in excess of the lease payments recorded as a deferred lease liability. The lease requires payment of allocated operating expenses and purchase of a set number of parking spaces at a rate that increases 3% annually.

The Washington D.C. lease requires monthly payments of \$16,415 and expires June 2020.

PANCREATIC CANCER ACTION NETWORK, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

(WITH COMPARATIVE TOTALS FOR 2018)

NOTE 9 – Commitments and Contingencies (Continued)

Facilities Leases (Continued)

Future minimum lease payments for the corporate facility operating leases, including minimum parking accommodations, as of June 30, 2019 are as follows:

| <u>Year Ending June 30,</u> | |
|---------------------------------|---------------------|
| 2020 | \$ 1,141,202 |
| 2021 | 972,545 |
| 2022 | 1,001,721 |
| 2023 | 1,031,773 |
| 2024 | 1,062,726 |
| Thereafter | <u>2,601,553</u> |
| | <u>\$ 7,811,520</u> |

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> |
|-----------------------------------|--------------------------|----------------------------|
| 2020 | \$ 4,269 | \$ 6,260 |
| 2021 | 3,114 | - |
| Less amount representing interest | <u>(529)</u> | <u>-</u> |
| | <u>\$ 6,854</u> | <u>\$ 6,260</u> |

During the years ended June 30, 2019 and 2018, rental expense for operating leases was \$1,320,522 and \$1,227,010, respectively.

PANCREATIC CANCER ACTION NETWORK, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

(WITH COMPARATIVE TOTALS FOR 2018)

NOTE 9 – Commitments and Contingencies (Continued)

Contractual Obligations

The Organization has entered into contractual agreements with hotel venues to provide facilities and services for events scheduled to take place through August 2022. The agreements require payment of cancellation fees that range from a minimum of \$500 to \$416,674. The minimum and maximum aggregate cancellation fees for all contracted venues at June 30, 2019 are \$877,880 and \$2,433,368, 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.

NOTE 10 – Net Assets

Net Assets without Donor Restrictions

Net assets without donor restrictions consists of the following:

| | June 30, | |
|------------------------------------|----------------------|----------------------|
| | 2019 | 2018 |
| Undesignated | \$ 12,591,755 | \$ 6,151,678 |
| Board designated operating reserve | <u>12,070,000</u> | <u>10,090,000</u> |
| | <u>\$ 24,661,755</u> | <u>\$ 16,241,678</u> |

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 10 – Net Assets (Continued)

Net Assets Without Donor Restrictions – Board Designated Operating Reserve

The Organization defines Board Designated Operating Reserve as the portion of net assets without donor restrictions 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, 2019 and 2018, the Board Designated Operating Reserve balance was \$12,070,000 and \$10,090,000, respectively, and represented approximately four months of fiscal operating expense for each year.

Net Assets With Donor Restrictions

Net assets with donor restrictions consists of the following:

| <u>Program</u> | <u>Available June 30, 2018</u> | <u>New Revenues</u> | <u>Expenditures/ Release from Restrictions</u> | <u>Available June 30, 2019</u> |
|----------------------------|----------------------------------------|-------------------------|--------------------------------------------------------|----------------------------------------|
| Research | \$ 24,689,904 | \$ 10,050,755 | \$ (12,546,753) | \$ 22,193,906 |
| Education/training | 30,000 | 1,590,000 | (625,000) | 995,000 |
| Patient services | 300,000 | 231,000 | (431,000) | 100,000 |
| Subject to passage of time | <u>1,573,214</u> | <u>20,373</u> | <u>(506,970)</u> | <u>1,086,617</u> |
| | <u>\$ 26,593,118</u> | <u>\$ 11,892,128</u> | <u>\$ (14,109,723)</u> | <u>\$ 24,375,523</u> |

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 11 – 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, 2019 and 2018, the Organization made nondiscretionary contributions of \$427,870 and \$360,690, respectively, towards its employees’ 401(k) retirement accounts.

NOTE 12 – 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 13 – Supplemental Disclosure of Cash Flow Information

| | For the Year Ended | |
|---------------|---------------------------|-----------------|
| | June 30, | |
| | 2019 | 2018 |
| Interest paid | <u>\$ 1,868</u> | <u>\$ 3,836</u> |