

PANCREATIC CANCER ACTION NETWORK, INC.

FINANCIAL STATEMENTS

June 30, 2020
(with Comparative Totals for 2019)

CONTENTS

Independent Auditors' Report.....	1-2
Statement of Financial Position.....	3
Statement of Activities	4
Statement of Functional Expenses.....	5
Statement of Cash Flows.....	6
Notes to the Financial Statements	7-24

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, 2020, 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, 2020, 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.

Emphasis of Matter

As discussed in Note 2 of the notes to the financial statements, during the year ended June 30, 2020, Pancreatic Cancer Action Network adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Customers (Topic 606)* and ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*. 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 2019 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated November 7, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Long Beach, California
October 23, 2020

PANCREATIC CANCER ACTION NETWORK, INC.

**STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

ASSETS

	June 30,	
	2020	2019
ASSETS		
Cash and cash equivalents	\$ 19,170,253	\$ 19,880,749
Investments	22,769,727	21,969,853
Pledges receivable, net	15,248,870	20,603,233
Receivables	1,382,434	298,326
Inventory	62,374	33,467
Prepaid expenses	1,169,049	610,114
Property and equipment, net	888,066	1,512,621
Other assets	163,497	167,052
TOTAL ASSETS	\$ 60,854,270	\$ 65,075,415

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 1,610,689	\$ 2,293,929
Accrued wages and benefits	2,131,305	1,724,018
Grant obligations, net	11,394,999	11,519,592
Deferred lease liability	511,638	493,744
Note payable	1,950,000	-
Capital lease obligations	3,009	6,854
	<u>17,601,640</u>	<u>16,038,137</u>

COMMITMENTS AND CONTINGENCIES (Note 9)

NET ASSETS

Without donor restrictions:		
Undesignated	14,235,504	12,591,755
Board designated operating reserve	<u>13,040,000</u>	<u>12,070,000</u>
	27,275,504	24,661,755
With donor restrictions	<u>15,977,126</u>	<u>24,375,523</u>
	<u>43,252,630</u>	<u>49,037,278</u>

TOTAL LIABILITIES AND NET ASSETS	\$ 60,854,270	\$ 65,075,415
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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, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

	Without Donor Restrictions	With Donor Restrictions	June 30,	
			2020	2019
REVENUE, EARNINGS AND OTHER SUPPORT				
Contributions	\$ 17,595,446	\$ 5,883,195	\$ 23,478,641	\$ 26,020,904
Special events (net of direct costs of \$1,277,100 and \$2,247,239 for 2020 and 2019, respectively)	11,960,871		11,960,871	14,749,039
Store sales, net	37,135	-	37,135	56,859
Other income	20,400	-	20,400	4,740
Investment return	877,116	-	877,116	1,208,547
Net assets released from restrictions	14,281,592	(14,281,592)	-	-
Total Revenue, Earnings and Other Support	44,772,560	(8,398,397)	36,374,163	42,040,089
EXPENSES				
Program services:				
Research	20,745,222	-	20,745,222	15,837,193
Advocacy	1,283,742	-	1,283,742	1,153,154
Patient services	4,142,739	-	4,142,739	3,748,725
Community engagement	7,619,066	-	7,619,066	8,013,690
Total Program Services	33,790,769	-	33,790,769	28,752,762
Supporting services:				
Management and operations	3,592,212	-	3,592,212	3,374,965
Development	4,775,830	-	4,775,830	3,709,880
Total Supporting Services	8,368,042	-	8,368,042	7,084,845
Total Expenses	42,158,811	-	42,158,811	35,837,607
CHANGE IN NET ASSETS	2,613,749	(8,398,397)	(5,784,648)	6,202,482
NET ASSETS AT BEGINNING OF YEAR	24,661,755	24,375,523	49,037,278	42,834,796
NET ASSETS AT END OF YEAR	\$ 27,275,504	\$ 15,977,126	\$ 43,252,630	\$ 49,037,278

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, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

	Program Services					Supporting Services			Total 2020	Total 2019
	Research & Scientific Affairs	Gov't Affairs & Advocacy	Patient Services	Community Engagement	Total Program Services	Management & Operations	Develop- ment	Total Supporting		
Salaries	\$ 4,086,059	\$ 766,016	\$ 2,504,217	\$ 3,814,186	\$ 11,170,478	\$ 2,282,387	\$ 2,625,295	\$ 4,907,682	\$ 16,078,160	\$ 13,422,529
Payroll taxes and benefits	593,109	124,537	433,011	639,859	1,790,516	354,200	415,255	769,455	2,559,971	2,139,982
Research	13,466,014	-	-	-	13,466,014	-	-	-	13,466,014	9,457,575
Conferences	138,293	-	-	34	138,327	-	-	-	138,327	168,601
Workshops	23,866	-	9,941	815,255	849,062	156	-	156	849,218	1,660,851
Special events	-	-	-	-	-	-	27,494	27,494	27,494	78,041
Professional services	541,076	181,866	126,115	538,070	1,387,127	207,971	864,663	1,072,634	2,459,761	1,969,738
Accounting, legal and regulatory fees	127,870	2,517	7,821	12,437	150,645	13,361	7,908	21,269	171,914	202,551
Advertising	26,376	4,892	261,396	252,066	544,730	14,425	29,222	43,647	588,377	633,349
Insurance	68,130	5,298	23,852	75,645	172,925	15,625	17,714	33,339	206,264	163,839
Bank and processing fees	198,186	36,847	122,057	186,112	543,202	109,944	122,292	232,236	775,438	897,064
Occupancy	332,285	62,082	207,337	314,385	916,089	182,793	206,981	389,774	1,305,863	1,320,522
Information technology	208,695	35,004	122,891	340,929	707,519	138,454	147,901	286,355	993,874	784,807
Supplies	21,707	3,989	13,469	20,132	59,297	11,663	14,215	25,878	85,175	59,886
Printing	3,453	581	95,845	4,605	104,484	1,641	16,666	18,307	122,791	423,503
Postage and shipping	8,384	1,858	67,982	23,595	101,819	4,097	28,402	32,499	134,318	240,588
Travel and development	90,196	3,966	10,542	319,554	424,258	3,439	78,948	82,387	506,645	688,643
Staff support	200,361	20,773	81,006	147,564	449,704	75,408	85,849	161,257	610,961	445,689
Equipment and maintenance	13,265	2,446	8,175	20,998	44,884	7,260	8,212	15,472	60,356	63,559
Directors' meetings	-	-	-	-	-	68,086	-	68,086	68,086	87,391
Miscellaneous	36,356	19,138	7,202	33,154	95,850	66,132	38,960	105,092	200,942	145,971
Depreciation and amortization	561,541	11,932	39,880	60,486	673,839	35,170	39,853	75,023	748,862	782,928
2020 TOTALS	\$ 20,745,222	\$ 1,283,742	\$ 4,142,739	\$ 7,619,066	\$ 33,790,769	\$ 3,592,212	\$ 4,775,830	\$ 8,368,042	\$ 42,158,811	
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
PERCENTAGE OF TOTAL EXPENSES:										
2020	49%	3%	10%	18%	80%	9%	11%	20%	100%	
2019	44%	3%	11%	22%	80%	10%	10%	20%		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, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

	For the Year Ended June 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (5,784,648)	\$ 6,202,482
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	748,862	782,928
Net realized and unrealized gains on investments	(134,956)	(461,930)
Loss on disposal of equipment	-	2,511
Provision for uncollectible pledges	60,000	50,000
Changes in operating assets and liabilities:		
Pledges receivable	5,294,363	3,334,753
Receivables	(1,084,108)	173,220
Inventory	(28,908)	517
Prepaid expenses	(558,935)	(132,818)
Other assets	3,555	(2,442)
Accounts payable and accrued expenses	(683,240)	539,994
Accrued wages and benefits	407,287	506,781
Grant obligations	(124,593)	1,692,686
Deferred lease liability	17,895	42,795
Net Cash Provided By (Used In) Operating Activities	(1,867,426)	12,731,477
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(12,193,441)	(19,705,536)
Proceeds from sale of investments	11,528,523	21,146,013
Proceeds from sale of equipment	-	2,072
Purchase of property and equipment	(124,307)	(128,361)
Net Cash Provided By (Used In) Investing Activities	(789,225)	1,314,188
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments made on note payable	-	(41,397)
Proceeds received from loan obligation	1,950,000	-
Payments on capital lease obligations	(3,845)	(3,537)
Net Cash Provided By (Used In) Financing Activities	1,946,155	(44,934)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(710,496)	14,000,731
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	19,880,749	5,880,018
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 19,170,253	\$ 19,880,749

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

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

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 2020 and 2019, volunteer-based events raised \$11,960,871 and \$14,749,039, respectively, net of related direct expenses.

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

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 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, 2020 and 2019, 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, 2019 with an auditors' report date of November 7, 2019, from which the summarized information was derived.

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

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.

Recently Adopted Accounting Standards

Beginning July 1, 2019, the Organization adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* and ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, and has applied them prospectively. ASU 2014-09 replaces most existing revenue recognition guidance in U.S. GAAP and requires 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. ASU 2018-08 provides additional guidance on characterizing grants and similar contracts with resource providers as either exchange transactions or contributions, as well as distinguishing between conditional and unconditional contributions. No significant reclassifications to prior-year amounts were necessary in order to adopt the new standards.

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, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

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 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.

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.

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

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, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

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 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.

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, 2020, there were no outstanding bequest receivables. As of June 30, 2019, there was one outstanding bequest valued at \$10,000. 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 \$11,863 and \$259,907, representing the estimated fair value of donated goods and services for the years ended June 30, 2020 and 2019, respectively. Many individuals, most of whom are active in one of the 61 nationwide Community Engagement volunteer affiliates as of June 30, 2020, 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 \$105,000 and \$84,000 in professional legal services provided to the Organization at no cost for the years ended June 30, 2020 and 2019, respectively.

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

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. 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, 2020 and 2019, grants payable was discounted using rates of .29% and 1.76%, 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, 2020 and 2019, advertising expense totaled \$588,376 and \$633,349, 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, 2020 and 2019. 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, 2020

(WITH COMPARATIVE TOTALS FOR 2019)

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. The expenses that are allocated include depreciation and amortization and occupancy, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort.

Recently Issued Accounting Pronouncements

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. The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. The new lease standard requires a modified retrospective approach for all leases existing at, or entered into after the date of initial adoption, with an option to elect to use certain transition relief. The Organization is currently evaluating the impact of the adoption of the new standard on the financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. Additionally, the standard requires a not-for-profit to disclose a disaggregation of the amount of contributed nonfinancial assets by category that depicts the type of nonfinancial assets and additional information related to the monetization, utilization, and valuation of the contributed nonfinancial assets. The ASU is effective for annual reporting periods beginning after June 15, 2021. The Organization is currently evaluating the impact of the adoption of the new standard on the financial statements.

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Subsequent Events

In preparing these financial statements, the Organization’s management has evaluated subsequent events and transactions for potential recognition or disclosure through October 23, 2020, the date at which the financial statements were available to be issued.

NOTE 3 – Liquidity and Availability

The total financial assets held by the Organization at June 30, 2020 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	\$ 19,170,253
Investments	22,769,727
Pledges receivable, net	15,248,870
Receivables	<u>1,382,434</u>
	<u>58,571,284</u>
Less amounts not available to be used within one year due to:	
Donor designated for purpose or time	(15,977,126)
Board designation for operating reserve	<u>(13,040,000)</u>
Financial assets available to meet general expenditures within one year:	<u>\$ 29,554,158</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, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

NOTE 4 – Investments

Investments held at June 30, 2020 and 2019 consist of:

	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Fixed Income Securities:				
Corporate bonds	\$ 4,789,033	\$ 5,093,393	\$ 4,269,740	\$ 4,386,700
US Federal agencies	4,502,579	4,736,185	4,700,038	4,857,255
Mortgage pools and other fixed income	260,489	332,480	-	-
Mutual and exchange traded funds:				
Bond funds	5,775,286	5,631,895	6,518,171	6,391,839
Equity funds and other assets	3,099,443	2,931,300	2,072,565	2,094,537
Common stocks	<u>3,103,855</u>	<u>4,044,474</u>	<u>3,281,161</u>	<u>4,239,522</u>
	<u>\$ 21,530,685</u>	<u>\$ 22,769,727</u>	<u>\$ 20,841,675</u>	<u>\$ 21,969,853</u>

At June 30, 2020, 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>2020</u>	<u>2019</u>
Dividend and interest income, net	\$ 742,160	\$ 746,617
Net realized and unrealized gains	<u>134,956</u>	<u>461,930</u>
	<u>\$ 877,116</u>	<u>\$ 1,208,547</u>

Dividend and interest income is reported net of investment advisor and bank fees of \$165,822 and \$140,447 in 2020 and 2019, respectively.

PANCREATIC CANCER ACTION NETWORK, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

(WITH COMPARATIVE TOTALS FOR 2019)

NOTE 4 – Investments (Continued)

The following tables present assets that are measured at fair value on a recurring basis at June 30, 2020 and 2019:

	<u>Fair Value Measurements at June 30, 2020</u>			<u>Total</u>	
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2020</u>	<u>2019</u>
Fixed Income					
Securities:					
Corporate bonds	\$ -	\$ 5,093,393	\$ -	\$ 5,093,393	\$ 4,386,700
US Federal agencies	4,736,185		-	4,736,185	4,857,255
Mortgage pools and other fixed income	332,480		-	332,480	-
Mutual and exchange traded funds:					
Bond funds	5,631,895		-	5,631,895	6,391,839
Equity funds and other assets	2,931,300		-	2,931,300	2,094,537
Common stocks	<u>4,044,474</u>		-	<u>4,044,474</u>	<u>4,239,522</u>
Total	<u>\$ 17,676,334</u>	<u>\$ 5,093,393</u>	<u>\$ -</u>	<u>\$ 22,769,727</u>	<u>\$ 21,969,853</u>

PANCREATIC CANCER ACTION NETWORK, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

(WITH COMPARATIVE TOTALS FOR 2019)

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, 2020 are as follows:

<u>Year Ending</u> <u>June 30,</u>		
2021	\$	7,313,377
2022		6,503,000
2023		1,110,000
2024		560,000
2025		130,000
Thereafter		<u>500,000</u>
		16,116,377
Less discount at a rate of 3.0%		(807,844)
Less allowance for uncollectible pledges		<u>(59,663)</u>
		<u>\$ 15,248,870</u>

Uncollectible pledge expense of \$60,000 and \$50,000 was reported in miscellaneous expense in the accompanying statement of activities for the years ended June 30, 2020 and 2019, respectively.

NOTE 6 – Property and Equipment

Property and equipment consists of the following:

	June 30,	
	2020	2019
Furniture and equipment	\$ 505,317	\$ 495,600
Computer software and hardware	649,374	649,374
Database system and web-site	3,349,052	3,263,200
Leasehold improvements	<u>872,026</u>	<u>843,288</u>
	5,375,769	5,251,462
Accumulated depreciation and amortization	<u>(4,487,703)</u>	<u>(3,738,841)</u>
	<u>\$ 888,066</u>	<u>\$ 1,512,621</u>

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

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, 2020 and 2019. Related accumulated amortization of the capital lease equipment at June 30, 2020 and 2019 was \$13,296 and \$10,545, 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 \$497,768 and \$523,436 for the years ended June 30, 2020 and 2019, respectively.

During the year ended June 30, 2020, the Organization incurred database system development expenditures of \$85,852. 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 \$748,862 and \$782,928 for the years ended June 30, 2020 and 2019, 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 three years.

Future payments on grant obligations as of June 30, 2020 are as follows:

<u>Year Ending June 30,</u>	
2021	\$ 8,116,665
2022	2,818,000
2023	550,000
Less discount rate ranging from 0.29% - 2.78%	<u>(89,666)</u>
	<u>\$ 11,394,999</u>

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

NOTE 7 – Grant Obligations (Continued)

During the year ended June 30, 2020, the Organization recorded new grant obligations in the amount of \$4,731,160. This amount was comprised of grant awards in the amount of \$4,750,000 and a grant obligation discount in the amount of \$18,840. Also during the year ended June 30, 2020, the Organization recorded new grant agreements related to Precision Promise and Early Detection Initiative in the amount of \$1,355,000.

NOTE 8 – Note Payable

In March 2020, Congress passed the Paycheck Protection Program, authorizing loans to small businesses for use in paying employees that they continue to employ throughout the COVID-19 pandemic and for rent, utilities and interest on mortgages. Loans obtained through the Paycheck Protection Program are eligible to be forgiven as long as the proceeds are used for qualifying purposes and certain other conditions are met.

In June 2020, the Organization received loan proceeds in the amount of \$1,950,000 under the Paycheck Protection Program (PPP loan). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. To the extent it is not forgiven, the Organization would be required to repay that portion at an interest rate of 1% over a period of two years, beginning December 2020 with a final installment in June 2022. Management expects that the entire loan will be used for payroll, utilities and interest; therefore, management anticipates that the loan will be substantially forgiven in the next year, however, final approval of any loan forgiveness amount is subjected to the Small Business Administration.

NOTE 9 – Commitments and Contingencies

Business Risks Associated with the Impact of COVID-19

The spread of the coronavirus has resulted in federal, state and local governments mandating various restrictions on public gatherings and stay-at-home orders. Because of the severity and global nature of the COVID-19 pandemic, the impact on the Organization’s business could be significant and have a material impact on its financial position and operating results. Certain events and programming have been postponed or rescheduled to accommodate remote attendance. There is significant uncertainty and management is in the process of evaluating the potential future impact on its business and financial statements.

PANCREATIC CANCER ACTION NETWORK, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

(WITH COMPARATIVE TOTALS FOR 2019)

NOTE 9 – Commitments and Contingencies (Continued)

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 extends 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. In June 2020, an amendment to the lease was executed that will defer payment of \$360,000 of lease payments (\$30,000 per month) in fiscal year 2021. The deferred lease payments will be paid back starting November 1, 2021 through October 31, 2026.

An amendment to the Washington D.C. lease agreement was executed in May 2020, with monthly payments of \$850 and expires on December 31, 2020.

Future minimum lease payments for the corporate facility operating leases, including minimum parking accommodations, as of June 30, 2020 are as follows:

Year Ending	
<u>June 30,</u>	
2021	\$ 624,785
2022	1,072,862
2023	1,126,913
2024	1,138,726
2025	1,158,608
Thereafter	<u>1,574,946</u>
	<u>\$ 6,696,840</u>

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

NOTE 9 – 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. A new three-year operating lease was signed in June 2020 with lease payments of \$595 per month. The other lease is recorded as a capital lease and requires monthly payments of \$354, including imputed interest at 3%, and expires in 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>
2021	\$ 3,114	\$ 7,140
2022	-	7,140
2023	-	7,140
Less amount representing interest	<u>(105)</u>	<u>-</u>
	<u>\$ 3,009</u>	<u>\$ 21,420</u>

During the years ended June 30, 2020 and 2019, rental expense for operating leases was \$1,305,863 and \$1,320,522, 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 August 2022. The agreements require payment of cancellation fees that range from a minimum of \$0 to \$339,142. The minimum and maximum aggregate cancellation fees for all contracted venues at June 30, 2020 approximates \$360,000 and \$1,270,000, 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, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

NOTE 10 – Net Assets

Net Assets without Donor Restrictions

Net assets without donor restrictions consists of the following:

	June 30,	
	2020	2019
Undesignated	\$ 14,235,504	\$ 12,591,755
Board designated operating reserve	13,040,000	12,070,000
	\$ 27,275,504	\$ 24,661,755

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, 2020 and 2019, the Board Designated Operating Reserve balance was \$13,040,000 and \$12,070,000, 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:

Program	Available June 30, 2019	New Revenue	Expenditures/ Release from Restrictions	Available June 30, 2020
Research	\$ 22,193,906	\$ 4,606,678	\$ (12,422,664)	\$ 14,377,920
Education/training	995,000	115,720	(520,000)	590,720
Patient services	100,000	1,152,310	(1,252,310)	-
Subject to passage of time	1,086,617	8,487	(86,618)	1,008,486
	\$ 24,375,523	\$ 5,883,195	\$ (14,281,592)	\$ 15,977,126

PANCREATIC CANCER ACTION NETWORK, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

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 pre-tax 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, 2020 and 2019, the Organization made nondiscretionary contributions of \$491,416 and \$427,870, 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. The Board approved a deferred compensation payable in the amount of \$250,000 during the year ended June 30, 2020, which is included in accrued wages and benefits in the accompanying statement of financial position.

NOTE 13 – Supplemental Disclosure of Cash Flow Information

	For the Year Ended June 30,	
	2020	2019
Interest paid	<u>\$ 1,986</u>	<u>\$ 1,868</u>