




Pancreatic Cancer Action Network

Independent Auditor's Report and Financial Statements

June 30, 2024 and 2023



Pancreatic Cancer Action Network
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June 30, 2024 and 2023

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Independent Auditor's Report

Board of Directors
Pancreatic Cancer Action Network
El Segundo, California

Opinion

We have audited the financial statements of Pancreatic Cancer Action Network, which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Pancreatic Cancer Action Network as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Pancreatic Cancer Action Network and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Pancreatic Cancer Action Network's ability to continue as a going concern within one year after the date that these financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Pancreatic Cancer Action Network's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pancreatic Cancer Action Network's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Forvis Mazars, LLP

**New York, New York
October 25, 2024**

Pancreatic Cancer Action Network
Statements of Financial Position
June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash and cash equivalents	\$ 7,781,023	\$ 7,849,538
Investments	30,065,485	33,467,132
Pledges receivable, net	14,002,396	22,972,929
Receivables	128,847	4,922,892
Contracts in progress	92,321	4,321,679
Prepaid expenses	2,451,294	3,594,841
Property and equipment, net	649,515	333,295
Right-of-use asset - operating lease	892,450	2,885,582
Other assets	210,502	252,484
Total Assets	<u>\$ 56,273,833</u>	<u>\$ 80,600,372</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	\$ 8,703,327	\$ 11,680,589
Accrued wages and benefits	2,299,669	2,503,955
Grant obligations, net	7,586,327	13,015,778
Deferred revenue	1,144,084	1,074,901
Operating lease liability	1,327,453	3,495,767
Finance lease obligations	-	8,946
Total Liabilities	<u>21,060,860</u>	<u>31,779,936</u>
Net Assets (Deficit)		
Without donor restrictions		
Undesignated	(808,592)	5,824,185
Board-designated operating reserve	17,090,000	19,070,000
Net Assets Without Donor Restrictions	<u>16,281,408</u>	<u>24,894,185</u>
With donor restrictions	<u>18,931,565</u>	<u>23,926,251</u>
Total Net Assets	<u>35,212,973</u>	<u>48,820,436</u>
Total Liabilities and Net Assets	<u>\$ 56,273,833</u>	<u>\$ 80,600,372</u>

Pancreatic Cancer Action Network
Statement of Activities
Year Ended June 30, 2024

	2024		Total
	Without Donor Restrictions	With Donor Restrictions	
Operating Revenues, Gains, and Other Support			
Contributions	\$ 17,183,104	\$ 5,742,364	\$ 22,925,468
Special events income (net of direct costs of \$3,320,870)	13,437,790	-	13,437,790
Clinical research contracts	8,510,939	-	8,510,939
Contributed nonfinancial assets	130,035	-	130,035
Other income	20,799	-	20,799
Net assets released from restrictions	10,737,050	(10,737,050)	-
Total Operating Revenues, Gains, and Other Support	<u>50,019,717</u>	<u>(4,994,686)</u>	<u>45,025,031</u>
Operating Expenses			
Program Services			
Research and Scientific Affairs	27,231,139	-	27,231,139
Advocacy	1,136,745	-	1,136,745
Patient services	4,788,744	-	4,788,744
Community engagement	7,937,565	-	7,937,565
Total Program Services	<u>41,094,193</u>	<u>-</u>	<u>41,094,193</u>
Support Services			
Management and administration	12,720,419	-	12,720,419
Development	6,679,797	-	6,679,797
Total Support Services	<u>19,400,216</u>	<u>-</u>	<u>19,400,216</u>
Total Operating Expenses	<u>60,494,409</u>	<u>-</u>	<u>60,494,409</u>
Change in Net Assets from Operations	(10,474,692)	(4,994,686)	(15,469,378)
Nonoperating Activities			
Investment return	1,861,915	-	1,861,915
Change in Net Assets	(8,612,777)	(4,994,686)	(13,607,463)
Net Assets, Beginning of Year	<u>24,894,185</u>	<u>23,926,251</u>	<u>48,820,436</u>
Net Assets, End of Year	<u>\$ 16,281,408</u>	<u>\$ 18,931,565</u>	<u>\$ 35,212,973</u>

Pancreatic Cancer Action Network
Statement of Activities
Year Ended June 30, 2023

	2023		Total
	Without Donor Restrictions	With Donor Restrictions	
Operating Revenues, Gains, and Other Support			
Contributions	\$ 14,660,273	\$ 33,155,122	\$ 47,815,395
Special events income (net of direct costs of \$3,400,433)	13,791,701	-	13,791,701
Clinical research contracts	16,312,934	-	16,312,934
Contributed nonfinancial assets	122,950	-	122,950
Other income	21,123	-	21,123
Net assets released from restrictions	16,612,875	(16,612,875)	-
Total Operating Revenues, Gains, and Other Support	<u>61,521,856</u>	<u>16,542,247</u>	<u>78,064,103</u>
Operating Expenses			
Program Services			
Research and Scientific Affairs	37,566,422	-	37,566,422
Advocacy	1,512,398	-	1,512,398
Patient services	4,256,510	-	4,256,510
Community engagement	8,686,456	-	8,686,456
Total Program Services	<u>52,021,786</u>	<u>-</u>	<u>52,021,786</u>
Support Services			
Management and administration	11,226,785	-	11,226,785
Development	6,411,608	-	6,411,608
Total Support Services	<u>17,638,393</u>	<u>-</u>	<u>17,638,393</u>
Total Operating Expenses	<u>69,660,179</u>	<u>-</u>	<u>69,660,179</u>
Change in Net Assets from Operations	(8,138,323)	16,542,247	8,403,924
Nonoperating Activities			
Investment return	1,551,040	-	1,551,040
Change in Net Assets	(6,587,283)	16,542,247	9,954,964
Net Assets, Beginning of Year	<u>31,481,468</u>	<u>7,384,004</u>	<u>38,865,472</u>
Net Assets, End of Year	<u>\$ 24,894,185</u>	<u>\$ 23,926,251</u>	<u>\$ 48,820,436</u>

**Pancreatic Cancer Action Network
Statement of Functional Expenses
Year Ended June 30, 2024**

	Program Services				Total Program Services	Support Services			Total Expenses
	Research and Scientific Affairs	Advocacy	Patient Services	Community Engagement		Management and Administration	Development	Total Supporting Services	
Salaries	\$ 5,287,087	\$ 750,851	\$ 2,860,411	\$ 4,075,577	\$ 12,973,926	\$ 6,033,165	\$ 3,928,081	\$ 9,961,246	\$ 22,935,172
Payroll taxes and benefits	1,092,361	155,612	588,853	847,738	2,684,564	1,185,303	820,974	2,006,277	4,690,841
Research	18,819,843	-	-	-	18,819,843	-	-	-	18,819,843
Conferences, workshops, and travel	310,734	3,284	328	360,297	674,643	196,369	74,702	271,071	945,714
Professional fees	1,075,101	162,204	569,899	1,229,499	3,036,703	2,394,082	991,460	3,385,542	6,422,245
Advertising	-	-	326,969	832,463	1,159,432	86,051	223,313	309,364	1,468,796
Donor and affiliate engagement	-	-	-	162,042	162,042	7,653	184,237	191,890	353,932
Dues and subscriptions	21,205	18,916	-	-	40,121	7,649	121	7,770	47,891
Occupancy and maintenance	108,541	20,667	129,830	135,228	394,266	159,959	106,025	265,984	660,250
Finance and processing charges	-	-	-	-	-	780,374	-	780,374	780,374
Information technology	231,441	16,603	109,022	163,858	520,924	1,117,747	265,974	1,383,721	1,904,645
Insurance	193,484	-	-	52,369	245,853	198,159	-	198,159	444,012
Postage, printing, and supplies	232	-	160,725	29,026	189,983	55,443	47,252	102,695	292,678
Staff support	21,350	4,084	13,659	19,424	58,517	465,414	13,936	479,350	537,867
Depreciation	69,760	4,524	29,048	30,044	133,376	33,051	23,722	56,773	190,149
Totals	\$ 27,231,139	\$ 1,136,745	\$ 4,788,744	\$ 7,937,565	\$ 41,094,193	\$ 12,720,419	\$ 6,679,797	\$ 19,400,216	\$ 60,494,409

**Pancreatic Cancer Action Network
Statement of Functional Expenses
Year Ended June 30, 2023**

	Program Services				Total Program Services	Support Services			Total Expenses
	Research and Scientific Affairs	Advocacy	Patient Services	Community Engagement		Management and Administration	Development	Total Supporting Services	
Salaries	\$ 5,259,517	\$ 966,842	\$ 2,691,567	\$ 4,430,193	\$ 13,348,119	\$ 5,922,804	\$ 3,619,547	\$ 9,542,351	\$ 22,890,470
Payroll taxes and benefits	1,010,637	187,453	519,781	857,339	2,575,210	988,251	700,053	1,688,304	4,263,514
Research	27,319,373	-	-	-	27,319,373	-	-	-	27,319,373
Conferences, workshops, and travel	361,117	108,284	4,835	223,334	697,570	152,709	60,238	212,947	910,517
Professional fees	2,961,082	162,559	309,680	1,435,592	4,868,913	930,436	1,126,982	2,057,418	6,926,331
Advertising	-	-	340,063	1,152,157	1,492,220	58,495	227,788	286,283	1,778,503
Donor and affiliate engagement	2,418	-	-	119,066	121,484	7,853	38,811	46,664	168,148
Dues and subscriptions	20,083	19,225	-	1,000	40,308	11,108	1,620	12,728	53,036
Occupancy and maintenance	217,575	44,421	147,227	212,607	621,830	281,609	167,162	448,771	1,070,601
Finance and processing charges	-	-	-	-	-	1,437,416	-	1,437,416	1,437,416
Information technology	197,950	16,500	51,674	129,403	395,527	869,171	388,545	1,257,716	1,653,243
Insurance	101,368	-	-	44,932	146,300	203,210	-	203,210	349,510
Postage, printing, and supplies	367	-	164,023	24,855	189,245	72,884	51,232	124,116	313,361
Staff support	790	-	3,998	21,859	26,647	253,407	2,856	256,263	282,910
Depreciation	114,145	7,114	23,662	34,119	179,040	37,432	26,774	64,206	243,246
Totals	\$ 37,566,422	\$ 1,512,398	\$ 4,256,510	\$ 8,686,456	\$ 52,021,786	\$ 11,226,785	\$ 6,411,608	\$ 17,638,393	\$ 69,660,179

**Pancreatic Cancer Action Network
Statements of Cash Flows
Years Ended June 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
Operating Activities		
Change in net assets	\$ (13,607,463)	\$ 9,954,964
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	190,149	243,246
Investment gain	(1,861,915)	(1,551,040)
Provision (gain) for uncollectible pledges	(170,518)	544,265
Noncash operating lease expense	510,460	854,072
Changes in operating assets and liabilities		
Pledges receivable	9,141,051	(15,267,802)
Receivables	9,023,403	(4,831,148)
Prepaid expenses	1,143,547	(2,765,458)
Other assets	41,982	10,347
Accounts payable and accrued expenses	(2,977,262)	2,290,330
Accrued wages and benefits	(204,286)	(79,323)
Grant obligations	(5,429,451)	666,146
Deferred revenue	69,183	(795,043)
Operating lease liability	(685,642)	(1,001,604)
Net Cash Used in Operating Activities	<u>(4,816,762)</u>	<u>(11,728,048)</u>
Investing Activities		
Purchase of investments	(24,801,923)	(20,727,725)
Purchase of sale of investments	30,065,485	18,760,106
Purchase of property and equipment	(506,369)	(75,026)
Net Cash Provided by (Used in) Investing Activities	<u>4,757,193</u>	<u>(2,042,645)</u>
Financing Activities		
Principal payments on finance lease obligations	(8,946)	(8,192)
Net Cash Used in Financing Activities	<u>(8,946)</u>	<u>(8,192)</u>
Change in Cash and Cash Equivalents	(68,515)	(13,778,885)
Cash and Cash Equivalents, Beginning of Year	<u>7,849,538</u>	<u>21,628,423</u>
Cash and Cash Equivalents, End of Year	<u>\$ 7,781,023</u>	<u>\$ 7,849,538</u>
Supplemental Cash Flows Information		
Cash paid during the year for interest	\$ -	\$ 1,262
Operating lease modification resulting in reduction of right-of-use asset and lease liability	1,482,672	-

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The Pancreatic Cancer Action Network (PanCAN), was founded in 1999. PanCAN's vision is to create a world in which all patients with pancreatic cancer will thrive. Our mission is to take bold action to improve the lives of everyone impacted by pancreatic cancer by advancing scientific research, building community, sharing knowledge, and advocating for patients. PanCAN has a comprehensive approach to fighting pancreatic cancer that includes funding transformative research, providing patient services, advocating for increased federal research dollars, and educating the public and raising awareness about pancreatic cancer.

PanCAN funds research – everything from early detection to innovative new treatment approaches. PanCAN's cumulative research investment is now \$235 million, making a significant impact on the diagnosis, treatment, and cure of today's patients and those who will be diagnosed in the future. PanCAN also advocates for increased federal research funding for pancreatic cancer researchers across the country to accelerate progress and continues to grow the number of researchers focused on this disease. PanCAN Patient Services provides free, personalized information and resources about pancreatic cancer including treatment options, clinical trials, specialists, and supportive care resources. Through PanCAN Patient Services, PanCAN talks to more pancreatic cancer patients and their families than any other organization in the world. Through its nearly 60 volunteer-led Affiliates across the country, PanCAN and local communities work together to educate and raise awareness and funds to accelerate progress for patients with pancreatic cancer.

PanCAN raises most of its revenue from individual and corporate contributions, including those made through PanCAN PurpleStride events. PanCAN moved its headquarter to El Segundo, California from Manhattan Beach, California in September 2024.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

PanCAN considers all liquid investments with original maturities of three months or less to be cash equivalents. Uninvested cash and cash equivalents included in investment accounts are not considered to be cash and cash equivalents. At June 30, 2024 and 2023, cash equivalents consisted primarily of money market funds.

At times during the year, PanCAN may hold deposits in excess of federal depository insurance limits, resulting in a concentration of credit risk. At June 30, 2024 and 2023, and throughout both years, PanCAN kept cash deposits at a financial institution that are in excess of the federal depository insurance limits.

Pancreatic Cancer Action Network
Notes to Financial Statements
June 30, 2024 and 2023

Accounts Receivable

Accounts receivable are stated at the amount of consideration from pharmaceutical and research organizations for design and management of clinical trial research. Receivables are recognized only to the extent that PanCAN has an unconditional right to consideration to which it is entitled in exchange for services performed. Receipts received in advance of services performed are recorded as deferred revenue. PanCAN provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

Contracts in Progress

Contracts in progress are recorded when PanCAN has a right to consideration in exchange for goods or services that PanCAN has transferred to the customer. PanCAN records a contract asset for the prorated amount of work performed through the end of the year, but payment is not yet due from the customer.

Inventories

Inventories consist of various promotional items that are held for sale. Inventories are stated at the lower of cost or market using the first-in, first-out (FIFO) method. Inventories are included in other assets on the accompanying statements of financial position. At June 30, 2024 and 2023, inventories were \$21,439 and \$30,293, respectively.

Investments and Net Investment Return

PanCAN measures securities at fair value. Investment return includes dividend, interest, and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is recorded as with donor restrictions and then released from restriction. Other investment return is reflected in the statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Property and Equipment

Property and equipment acquisitions over \$5,000 are stated at cost less accumulated depreciation and consist of prepaid leasehold improvements, furniture and fixtures associated with the administrative offices, database systems and website, and computers and software. PanCAN also capitalizes a group of assets purchased in bulk, if those bulk items are over \$10,000.

Depreciation is charged to expense using the straight-line method over the estimated useful lives of each asset. Estimated useful lives for furniture and equipment, computer software, and internally developed asset costs are three to 10 years. Assets under leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

Long-Lived Asset Impairment

PanCAN evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended June 30, 2024 and 2023.

**Pancreatic Cancer Action Network
Notes to Financial Statements
June 30, 2024 and 2023**

Grant Obligations

PanCAN awards peer-reviewed research grants to investigators who are devoted to scientific research related to pancreatic cancer. Research grants may include multi-year installment payments. As a compliance requirement, PanCAN requires periodic reporting on the research activities associated with the grant award. 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 risk-free treasury rate applicable to the day in which the obligation is made.

Deferred Revenue

Revenue from fees for clinical trials is deferred and recognized over the periods to which the fees relate.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor or certain grantor restrictions.

PanCAN defines Board Designated Operating Reserve as the portion of net assets without donor restrictions that have been designated for use in emergencies and to sustain financial operations in the event budgeted revenue is not realized or unforeseen expenses are incurred. The presence of an operating reserve provides PanCAN 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. At June 30, 2024 and 2023, the Board Designated Operating Reserve balance was \$17,090,000 and \$19,070,000, respectively, and represented approximately four months of fiscal operating expense.

Net assets with donor restrictions are subject to donor or certain grantor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor.

Contributions

Contributions are provided to PanCAN either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

<u>Nature of the Gift</u>	<u>Value Recognized</u>
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on PanCAN overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment, and long-lived assets	Estimated fair value

Pancreatic Cancer Action Network
Notes to Financial Statements
June 30, 2024 and 2023

Nature of the Gift	Value Recognized
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor-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 statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment, and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions and investment income having donor stipulations which are satisfied in the period the gift is received and the investment income is earned are recorded as revenue with donor restrictions and then released from restriction.

Contributed Nonfinancial Assets

Contributed nonfinancial assets are recorded at their estimated fair values on the date received. For the years ended June 30, 2024 and 2023, contributed nonfinancial assets recognized within the statements of activities included:

	2024	2023
Services	\$ 127,788	\$ 120,000
Food	2,247	-
Gift cards	-	50
Supplies	-	2,900
	\$ 130,035	\$ 122,950

Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions. Donated services are reported at the estimated fair value in the financial statements on current rate for similar services and were utilized by PanCAN's program services.

Contributed gift cards and supplies were utilized in PanCAN's PurpleStride fundraising event. PanCAN estimated the fair value based on estimates of wholesale values that would be received for selling similar products.

Income Taxes

PanCAN is exempt from income taxes under Section 501 of the Internal Revenue Code and similar provision of state law. However, PanCAN is subject to federal income tax on any unrelated business taxable income. PanCAN files tax returns in the U.S. federal jurisdiction.

Pancreatic Cancer Action Network
Notes to Financial Statements
June 30, 2024 and 2023

PanCAN follows accounting requirements related to uncertain tax positions. Tax positions taken may include positions that PanCAN is exempt from income taxes or how PanCAN determines its unrelated business income. Uncertain tax positions are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon an examination by the relevant tax authority. No amounts have been recorded at June 30, 2024 and 2023 with respect to uncertain tax positions.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses presents the natural classification detail of expenses by function. Certain costs have been allocated among the program and management and general categories based on estimates of time incurred, usage and other relevant factors.

Note 2. Investments and Fair Value Measurements

Fair value 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 measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets or liabilities

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Recurring Measurements

The following tables present the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2024 and 2023:

	Total Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Market for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2024				
Assets				
Fixed income securities				
Corporate bonds	\$ 11,244,920	\$ -	\$ 11,244,920	\$ -
U.S. Treasuries	5,289,133	5,289,133	-	-
Mortgage pools	447,996	-	447,996	-
Mutual funds				
Equity funds	3,034,588	3,034,588	-	-
Exchange traded funds	2,985,553	2,985,553	-	-
Common stock	6,970,817	6,970,817	-	-
Other assets - REIT	92,478	92,478	-	-
Total investments reported on the fair value hierarchy	<u>\$ 30,065,485</u>	<u>\$ 18,372,569</u>	<u>\$ 11,692,916</u>	<u>\$ -</u>

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	<u>Total Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Quoted Prices in Active Market for Identical Assets (Level 1)</u>	<u>Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
June 30, 2023				
Assets				
Fixed income securities				
Corporate bonds	\$ 12,916,831	\$ -	\$ 12,916,831	\$ -
U.S. Treasuries	5,361,391	5,361,391	-	-
Municipal bonds	235,519	-	235,519	-
Mortgage pools	422,778	-	422,778	-
Mutual funds				
Equity funds	6,428,875	6,428,875	-	-
Exchange traded funds	1,829,989	1,829,989	-	-
Money market funds	1,637,083	1,637,083	-	-
Common stock	4,559,805	4,559,805	-	-
Other assets - REIT	74,861	74,861	-	-
Total investments reported on the fair value hierarchy	<u>\$ 33,467,132</u>	<u>\$ 19,892,004</u>	<u>\$ 13,575,128</u>	<u>\$ -</u>

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the years ended June 30, 2024 and 2023.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. No Level 3 securities were held for the years ended June 30, 2024 and 2023.

Note 3. Grant Obligations

Grant obligations consist 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. During the years ended June 30, 2024 and 2023, PanCAN awarded new grant obligations in the amount of \$125,000 and \$6,702,000, respectively. There were no discounts applied to new grant obligations for the year ended June 30, 2024 as all obligations awarded in the fiscal year are expected to be relieved within one year. The discount rates for the year ended June 30, 2023 ranged from 4.49% to 4.87%.

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Future payments on grant obligations consisted of the following:

<u>Year Ending June 30,</u>	<u>General Grant Obligations</u>	<u>Clinical Trial Obligations</u>	<u>Total</u>
2025	\$ 5,981,867	\$ 340,415	\$ 6,322,282
2026	1,548,207	-	1,548,207
	7,530,074	340,415	7,870,489
Less discounts	(284,162)	-	(284,162)
	<u>\$ 7,245,912</u>	<u>\$ 340,415</u>	<u>\$ 7,586,327</u>

Note 4. Pledges Receivable

PanCAN received promises to give. Noncurrent pledges receivable have been discounted over the payment period using a risk-free discount rate ranging from 4.43% to 5.09% for the year ended June 30, 2024 and 4.05% to 5.40% for the year ended June 30, 2023. Pledges receivables are due as follows:

	<u>2024</u>	<u>2023</u>
Due within one year	\$ 7,086,244	\$ 10,287,204
Due within one to six years	8,216,702	14,243,336
	15,302,946	24,530,540
Less		
Allowance for uncollectible pledges	(202,486)	(373,004)
Unamortized discount	(1,098,064)	(1,184,607)
	<u>\$ 14,002,396</u>	<u>\$ 22,972,929</u>

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Note 5. Property and Equipment

Property and equipment at June 30, 2024 and 2023 consists of:

	<u>2024</u>	<u>2023</u>
Furniture and equipment	\$ 412,452	\$ 505,160
Computer hardware and software	881,031	1,061,372
Database system and website	3,378,698	3,378,698
Leasehold improvements	895,054	895,054
Construction in progress	483,828	-
	<u>6,051,063</u>	<u>5,840,284</u>
Accumulated depreciation	<u>(5,401,548)</u>	<u>(5,506,989)</u>
	<u>\$ 649,515</u>	<u>\$ 333,295</u>

Note 6. Revenue from Contracts with Customers

Clinical Trials and Fees

PanCAN contracts directly with pharmaceutical/biotech companies (customers) to conduct clinical trials for pancreatic cancer patients. The clinical trials are generally billed and paid based on achievement of milestones or set timeframes (e.g., quarterly, etc.). The performance obligation under clinical trials are typically billed one month to one quarter in arrears, which may result in an unbilled service asset or contract asset at period-end.

At contract inception, PanCAN and the customer design the scope of work for the services to be provided and the deliverables bargained for in the contract. Contracts entered into for clinical trials are considered a single performance obligation as PanCAN provides a highly integrated service resulting in a combined output which is the final end result of the clinical trial (whether it results in a successful or terminated trial).

Revenue is recognized for the single performance obligation over time due to PanCAN's right to payment for work performed to date. The contracts enable PanCAN to invoice the customer as work progresses based on the corresponding milestones during the life cycle of a clinical trial.

Contracts are terminable by the customer, according to advance notice terms, medical, scientific or safety reasons, or specific terms of breach specified within the contracts. If a contract is terminated, payment of fees for services rendered through the date of termination is required and may require payment for subsequent services necessary to conclude the study or close out the contract. Final settlement amounts are agreed to with the customer based on remaining work to be performed. These amounts are included in revenue when PanCAN believes the amount can be estimated reliably and its realization is probable. In evaluating the probability of recognition, PanCAN considers the contractual basis for the settlement amount and the objective evidence available to support the amount.

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Transaction Price and Recognition

PanCAN determines the transaction price based on PanCAN's internal pricing guidelines, and negotiations with the customer. The transaction price is the contractually defined amount that includes adjustment for variable consideration, such as study stages, percent of subject enrollment or retainage on periodic billings, which are estimable. The progression of contract performance obligations are measured primarily utilizing an estimate of percentage completion based upon the "level of effort" (stage in the clinical trial life cycle).

From time to time, PanCAN will receive overpayments of customer balances resulting in amounts owed back to third parties. These amounts are excluded from revenues and are recorded as liabilities until they are refunded. As of June 30, 2024, PanCAN held a refund liability of \$372,663 as a result of overpayments of customer balances. PanCAN did not have any overpayments or related liabilities as of June 30, 2023.

Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to revenue in the period of the change. For the years ended June 30, 2024 and 2023, additional revenues of \$1,927,895 and \$9,447,137, respectively, were recognized due to changes in estimates of transaction prices for performance obligations satisfied in prior years. Subsequent changes that are determined to be the result of an adverse change in the customer's ability to pay are recorded as credit loss expense.

PanCAN has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the payors that have different reimbursement and payment methodologies. All clinical trial revenue is recognized over time.

Contract Balances

The following table provides information about PanCAN's receivables from contracts, contract assets and contract liabilities with customers:

	<u>2024</u>	<u>2023</u>
Accounts receivable, beginning of year	\$ 4,922,892	\$ 3,218,579
Accounts receivable, end of year	128,847	4,922,892
Contracts in progress, beginning of year	4,321,679	1,194,844
Contracts in progress, end of year	92,321	4,321,679
Deferred revenue, beginning of year	1,074,901	1,869,944
Deferred revenue, end of year	1,144,084	1,074,901

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Note 7. Net Assets

Net Assets with Donor Restriction

Net assets with donor restrictions at June 30 are restricted for the following purposes or periods:

	<u>2024</u>	<u>2023</u>
Subject to expenditure for specified purpose		
Research	\$ 16,232,151	\$ 20,448,554
Patient services	610,000	962,505
SPARK Health Data Platform	<u>300,000</u>	<u>400,000</u>
	17,142,151	21,811,059
Subject to passage of time		
Promises to give that are not restricted by donors but which are unavailable for expenditure until due	<u>1,789,414</u>	<u>2,115,192</u>
	<u>\$ 18,931,565</u>	<u>\$ 23,926,251</u>

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or occurrence of other events specified by donors.

	<u>2024</u>	<u>2023</u>
Expiration of time restrictions	\$ 791,920	\$ 1,427,955
Satisfaction of purpose restrictions		
Research	8,460,393	14,470,255
Advocacy	65,000	25,000
Patient services	1,319,737	439,665
SPARK Health Data Platform	<u>100,000</u>	<u>250,000</u>
	<u>\$ 10,737,050</u>	<u>\$ 16,612,875</u>

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Note 8. Liquidity and Availability

As of June 30, 2024 and 2023, the following financial assets could readily be made available within one year of the statements of financial position date to meet general expenditures:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 7,781,023	\$ 7,849,538
Investments	30,065,485	33,467,132
Pledges receivable, net	14,002,396	22,972,929
Receivables	<u>128,847</u>	<u>4,922,892</u>
	51,977,751	69,212,491
Less amounts not available to be used within one year due to		
Donor-restricted for purpose or time	(12,146,875)	(14,500,490)
Board-designated for operating reserve	<u>(17,090,000)</u>	<u>(19,070,000)</u>
	<u>\$ 22,740,876</u>	<u>\$ 35,642,001</u>

PanCAN receives significant contributions restricted by donors or grantors and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. As of June 30, 2024 and 2023, restricted contributions receivable of \$6,784,690 and \$9,425,761, respectively, is due within the next year and was included in financial assets available to meet cash needs for general expenditures within one year.

The board-designated operating reserve is without donor restrictions that has been designated for use in emergencies and to sustain financial operations in the event budgeted revenue is not realized or unforeseen expenses are incurred. The Board has established a target of maintaining a minimum, fully funded operating reserve sufficient to fund four months of budgeted operating costs.

PanCAN manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. PanCAN monitors liquidity and cash flows on an ongoing basis to ensure an appropriate amount of cash and cash equivalents are available to meet current expenditure needs. Management reports its financial position regularly to different committees of the Board and to the whole Board.

Note 9. Leases

Accounting Policies

PanCAN determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of ROU assets and lease liabilities on the statement of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. PanCAN determines lease classification as operating or finance at the lease commencement date.

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PanCAN accounts for the lease and nonlease components separately. The lease component consists of office space and nonlease components consist of common area maintenance charges. Lease and nonlease components are clearly defined on the monthly invoice, therefore, PanCAN allocates the consideration to the lease and nonlease components using their relative standalone values.

At lease commencement, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. PanCAN has made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

The lease term may include options to extend or to terminate the lease that PanCAN is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

PanCAN has elected not to record leases with an initial term of 12 months or less on the statement of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Nature of Lease

PanCAN has entered into the following lease arrangements:

Operating Lease

During fiscal year 2024, PanCAN entered a lease to move its physical office to an office with less square footage to reduce operating costs. As of June 30, 2024, PanCAN had not moved into the new lease space. The new lease agreement does not commence until fiscal year 2025. The new lease contains a right of renewal for one year that PanCAN is reasonably certain to exercise as a result of significant leasehold improvements being made. Lease payments on the new lease agreement have an escalating fee schedule, which is approximately 3.0% each year. Termination of the lease is generally prohibited unless there is a violation under the lease agreement.

During fiscal year 2024, the landlord of the original lease space amended the payments required on the lease, significantly reducing the monthly rent payments by approximately \$39,000 each month through the commencement of the new lease. As the new lease commencement date was unknown as of the lease modification date, PanCAN estimated the modified lease term to be through October 2026 which is consistent with the previous lease term. This resulted in a remeasurement of the right-of-use asset, lease liability, and discount rate on the old lease. The discount rate on the original lease increased from 0.52% to 4.76% and total payments to the end of the lease decreased by approximately \$1,388,000.

As of June 30, 2024, PanCAN has an agreement in place with its landlord that when its new lease space becomes available, it is no longer required to make payments on the original lease space, effectively terminating the original lease on the effective date of the new lease. Subsequent to year-end, PanCAN moved into the new lease space.

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Quantitative Disclosures

The lease cost and other required information for the years ended June 30, 2024 and 2023 are:

	<u>2024</u>	<u>2023</u>
Lease cost		
Finance lease cost		
Operating lease cost	\$ 566,167	\$ 874,640
Other information		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 754,394	\$ 1,022,171
Weighted-average remaining lease term		
Operating leases	2.33 years	3.33 years
Weighted-average discount rate		
Operating leases	4.76%	0.52%

Future minimum lease payments and reconciliation to the statement of financial position at June 30, 2024 are as follows:

	<u>Operating Lease</u>
2025	\$ 601,622
2026	598,360
2027	199,453
2028	-
2029	-
Thereafter	-
Total future undiscounted lease payments	1,399,435
Less present value discount	<u>(71,982)</u>
Lease liability	<u>\$ 1,327,453</u>

Note 10. Retirement Plan

PanCAN has a 401(k) profit-sharing plan (the Plan) covering all eligible employees. The Plan provides for participants to make pre-tax contributions, with PanCAN 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, PanCAN may make discretionary additional contributions for its employees. During the years ended June 30, 2024 and 2023, PanCAN made nondiscretionary contributions of \$767,785 and \$708,423, respectively, toward its employees' 401(k) retirement accounts.

Note 11. Deferred Compensation Plans

In July 2015, PanCAN adopted a deferred compensation plan in accordance with Section 457(f) of the Internal Revenue Code. In September 2020, PanCAN adopted a deferred compensation plan in accordance with Section 457(b) of the Internal Revenue Code. The purpose of these plans is to offer certain eligible employees of PanCAN the opportunity to defer specified amounts of compensation on a pre-tax basis. During the years ended June 30, 2024 and 2023, PanCAN made nondiscretionary contributions of \$22,500 and \$20,500, respectively, to employees' 457(b) plans. During the year ended June 30, 2024, PanCAN made nondiscretionary contributions of \$75,000 to employees' 457(f) plans; no contributions were made during the year ended June 30, 2023. As of June 30, 2024, PanCAN held \$75,000 accrued under the deferred compensation plans. There were no amounts accrued for the year ended June 30, 2023.

Note 12. Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Accounts Receivable

Estimates associated with the allowance for uncollectible receivables are discussed in Note 1.

Pledges Receivable

As of June 30, 2024 and 2023, approximately 79% and 71% of pledges receivable were due from one donor.

Contributions

For the year ended June 30, 2023, approximately 38% of contribution revenue was from one donor. There were no contribution revenue concentrations for the year ended June 30, 2024.

For the years ended June 30, 2024 and 2023, approximately 37% and 22%, respectively, of total revenue was from special events. This represents concentration of risk to PanCAN due to the PurpleStride event.

Grant Obligations

As of June 30, 2024 and 2023, approximately 71% and 57%, respectively, of grant obligations were due to two grantees.

Investments

PanCAN invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying statements of financial position.

Functional Allocation of Expenses

Estimates used to allocate certain costs on a functional basis are discussed in Note 1 and Note 13.

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Note 13. Allocation of Joint Costs

PanCAN hires consultants to assist in digital and physical direct mail campaigns. Campaign communications include information for three distinct categories: public education, program specific, and fundraising. Effective July 1, 2023, PanCAN updated its policy for allocation of functional expenses related to advertising campaigns. Expenses from the campaigns are allocated based on number of lines of content related to each of the three categories. The costs of conducting those activities were \$385,823 for the year ended June 30, 2024, which were categorized under general purpose, program specific, and fundraising. PanCAN did not allocate joint costs for the year ended June 30, 2023 and all costs were recorded as fundraising. The joint costs were allocated as follows:

Categories	<u>2024</u>	
	<u>Expenses</u>	<u>Average Allocation Percentage</u>
Public education	\$ 161,004	42%
Program specific	54,092	14%
Fundraising	<u>170,727</u>	44%
Total joint costs	<u>\$ 385,823</u>	

Note 14. Subsequent Events

PanCAN moved into its new lease space effective October 1, 2024. The effective end date of the original lease and the effective commencement of the new lease were both contingent on this move date. As of the move date, PanCAN is no longer required to make payments on the original lease. On September 30, 2024, the remaining right-of-use asset and lease liability for the original lease was \$800,837 and \$1,143,889, respectively. Simultaneously, PanCAN started its new lease and recorded new right-of-use assets and lease liabilities of \$4,426,217 and \$4,387,413, respectively. Payments on the new lease are due through fiscal year 2032.

Subsequent events have been evaluated through October 25, 2024, which is the date the financial statements were available to be issued.