

# PANCREATIC CANCER ACTION NETWORK, INC.

## FINANCIAL STATEMENTS

June 30, 2021

(with Comparative Totals for 2020)

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Pancreatic Cancer Action Network, Inc.

### **Report on Financial Statements**

We have audited the accompanying financial statements of Pancreatic Cancer Action Network, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, 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, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited the Pancreatic Cancer Action Network, Inc.'s 2020 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated October 23, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Long Beach, California  
October 20, 2021

**PANCREATIC CANCER ACTION NETWORK, INC.**

**STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2021  
(WITH COMPARATIVE TOTALS FOR 2020)**

**ASSETS**

	<b>June 30,</b>	
	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 21,145,877	\$ 19,170,253
Investments	31,568,624	22,769,727
Pledges receivable, net	11,854,562	15,248,870
Receivables	1,613,670	1,382,434
Inventory	44,260	62,374
Prepaid expenses	1,007,398	1,169,049
Property and equipment, net	689,326	888,066
Other assets	163,815	163,497
<b>TOTAL ASSETS</b>	<b>\$ 68,087,532</b>	<b>\$ 60,854,270</b>

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 4,420,076	\$ 1,610,689
Accrued wages and benefits	2,749,632	2,131,305
Grant obligations, net	7,618,348	11,394,999
Deferred revenue	971,345	-
Deferred lease liability	863,886	511,638
Note payable	1,950,000	1,950,000
Capital lease obligations	26,340	3,009
	<u>18,599,627</u>	<u>17,601,640</u>

**COMMITMENTS AND CONTINGENCIES (Note 9)**

**NET ASSETS**

Without donor restrictions:		
Undesignated	23,391,033	14,235,504
Board designated operating reserve	<u>17,480,000</u>	<u>13,040,000</u>
	40,871,033	27,275,504
With donor restrictions	<u>8,616,872</u>	<u>15,977,126</u>
	<u>49,487,905</u>	<u>43,252,630</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 68,087,532</b>	<b>\$ 60,854,270</b>

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, 2021  
(WITH COMPARATIVE TOTALS FOR 2020)**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>June 30,</b>	
			<b>2021</b>	<b>2020</b>
<b>REVENUE, EARNINGS AND OTHER SUPPORT</b>				
Contributions	\$ 21,520,712	\$ 7,428,823	\$ 28,949,535	\$ 23,478,641
Special events (net of direct costs of \$246,325 and \$1,277,100 for 2021 and 2020, respectively)	9,316,555	5,000	9,321,555	11,960,871
Clinical research contracts	5,105,747	-	5,105,747	15,400
Other income	18,377	-	18,377	42,135
Investment return	3,492,753	-	3,492,753	877,116
Net assets released from restrictions	14,794,077	(14,794,077)	-	-
Total Revenue, Earnings and Other Support	54,248,221	(7,360,254)	46,887,967	36,374,163
<b>EXPENSES</b>				
Program services:				
Research	21,821,410	-	21,821,410	20,745,222
Advocacy	1,327,578	-	1,327,578	1,283,742
Patient services	3,908,100	-	3,908,100	4,142,739
Community engagement	5,816,074	-	5,816,074	7,619,066
Total Program Services	32,873,162	-	32,873,162	33,790,769
Supporting services:				
Management and operations	3,220,195	-	3,220,195	3,592,212
Development	4,559,335	-	4,559,335	4,775,830
Total Supporting Services	7,779,530	-	7,779,530	8,368,042
Total Expenses	40,652,692	-	40,652,692	42,158,811
<b>CHANGE IN NET ASSETS</b>	13,595,529	(7,360,254)	6,235,275	(5,784,648)
<b>NET ASSETS AT BEGINNING OF YEAR</b>	27,275,504	15,977,126	43,252,630	49,037,278
<b>NET ASSETS AT END OF YEAR</b>	\$ 40,871,033	\$ 8,616,872	\$ 49,487,905	\$ 43,252,630

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, 2021  
(WITH COMPARATIVE TOTALS FOR 2020)**

	Program Services					Supporting Services			Total 2021	Total 2020
	Research & Scientific Affairs	Gov't Affairs & Advocacy	Patient Services	Community Engagement	Total Program Services	Management & Operations	Develop- ment	Total Supporting		
Salaries	\$ 4,628,125	\$ 801,555	\$ 2,308,498	\$ 3,598,951	\$ 11,337,129	\$ 2,134,453	\$ 2,589,340	\$ 4,723,793	\$ 16,060,922	\$ 16,078,160
Payroll taxes and benefits	698,524	134,655	445,281	657,623	1,936,083	351,324	423,816	775,140	2,711,223	2,559,971
Research	14,491,771	-	-	-	14,491,771	-	-	-	14,491,771	13,466,014
Conferences	(1,048)	-	1,750	-	702	-	-	-	702	138,327
Workshops	72,391	26,065	2,766	70,000	171,222	-	-	-	171,222	849,218
Special events	-	-	-	-	-	-	33	33	33	27,494
Professional services	534,636	180,094	241,041	389,503	1,345,274	182,394	896,399	1,078,793	2,424,067	2,459,761
Accounting, legal and regulatory fees	128,912	6,312	19,372	30,995	185,591	17,191	20,250	37,441	223,032	171,914
Advertising	44,754	7,803	278,512	173,078	504,147	20,522	40,297	60,819	564,966	588,377
Insurance	86,736	5,189	21,533	69,409	182,867	14,091	16,661	30,752	213,619	206,264
Bank and processing fees	186,334	32,583	101,634	151,182	471,733	108,409	104,392	212,801	684,534	775,438
Occupancy	267,579	46,927	146,330	217,932	678,768	127,762	150,822	278,584	957,352	1,314,251
Information technology	220,704	35,105	126,172	286,680	668,661	146,499	155,591	302,090	970,751	993,874
Supplies	6,527	1,130	3,616	5,298	16,571	3,100	4,547	7,647	24,218	85,175
Printing	2,612	459	96,970	2,738	102,779	1,240	17,336	18,576	121,355	122,791
Postage and shipping	8,219	1,422	53,282	15,854	78,777	3,904	30,021	33,925	112,702	134,318
Travel and development	6,498	194	2,643	54,794	64,129	561	6,907	7,468	71,597	506,645
Staff support	46,876	5,046	23,882	33,320	109,124	62,135	17,344	79,479	188,603	610,961
Equipment and maintenance	13,052	2,283	7,213	10,566	33,114	6,207	7,366	13,573	46,687	51,968
Directors' meetings	-	-	-	-	-	3,121	-	3,121	3,121	68,086
Miscellaneous	21,566	32,298	1,635	9,076	64,575	14,394	51,128	65,522	130,097	200,942
Depreciation and amortization	356,642	8,458	25,970	39,075	430,145	22,888	27,085	49,973	480,118	748,862
<b>2021 TOTALS</b>	<b>\$ 21,821,410</b>	<b>\$ 1,327,578</b>	<b>\$ 3,908,100</b>	<b>\$ 5,816,074</b>	<b>\$ 32,873,162</b>	<b>\$ 3,220,195</b>	<b>\$ 4,559,335</b>	<b>\$ 7,779,530</b>	<b>\$ 40,652,692</b>	
<b>2020 TOTALS</b>	<b>\$ 20,745,222</b>	<b>\$ 1,283,742</b>	<b>\$ 4,142,739</b>	<b>\$ 7,619,066</b>	<b>\$ 33,790,769</b>	<b>\$ 3,592,212</b>	<b>\$ 4,775,830</b>	<b>\$ 8,368,042</b>		<b>\$ 42,158,811</b>
<b>PERCENTAGE OF TOTAL EXPENSES:</b>										
2021	54%	3%	10%	14%	81%	8%	11%	19%	100%	
2020	49%	3%	10%	18%	80%	9%	11%	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, 2021  
(WITH COMPARATIVE TOTALS FOR 2020)**

	<b>For the Year Ended June 30,</b>	
	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 6,235,275	\$ (5,784,648)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	480,118	748,862
Net realized and unrealized gains on investments	(2,966,510)	(134,956)
Provision for uncollectible pledges	10,000	60,000
Bad debt expense	2,978	-
Changes in operating assets and liabilities:		
Pledges receivable	3,384,308	5,294,363
Receivables	(234,214)	(1,084,108)
Inventory	18,114	(28,908)
Prepaid expenses	161,651	(558,935)
Other assets	(318)	3,555
Accounts payable and accrued expenses	2,809,387	(683,240)
Accrued wages and benefits	618,327	407,287
Grant obligations	(3,776,651)	(124,593)
Deferred revenue	971,345	-
Deferred lease liability	352,248	17,895
Net Cash Provided By (Used In) Operating Activities	8,066,058	(1,867,426)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(20,513,567)	(12,193,441)
Proceeds from sale of investments	14,681,180	11,528,523
Purchase of property and equipment	(255,038)	(124,307)
Net Cash Used In Investing Activities	(6,087,425)	(789,225)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds received from loan obligation	-	1,950,000
Payments on capital lease obligations	(3,009)	(3,845)
Net Cash Provided By (Used In) Financing Activities	(3,009)	1,946,155
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	1,975,624	(710,496)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	19,170,253	19,880,749
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ 21,145,877	\$ 19,170,253

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



**PANCREATIC CANCER ACTION NETWORK, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021  
(WITH COMPARATIVE TOTALS FOR 2020)**

**NOTE 1 – Organization and Business**

The Pancreatic Cancer Action Network (the Organization), also known as 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. The Organization 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.

The Organization funds research – everything from early detection to innovative new treatment approaches. Our cumulative research investment is now more than \$149 million, making a significant impact on the diagnosis, treatment, and cure of today’s patients and those who will be diagnosed in the future. The Organization also advocates for increased federal research funding for pancreatic cancer researchers across the country to accelerate progress and continue 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, the Organization talks to more pancreatic cancer patients and their families than any other organization in the world. Finally, the Organization helps individuals and communities across the country work together to raise awareness and funds through its 57 volunteer-led Affiliates.

The Organization raises most of its revenue from individual and corporate contributions, and special events, including its primary fundraising event called PanCAN PurpleStride. The Organization’s activities are conducted from its headquarters in Manhattan Beach, California, with some staff located remotely around the country.

**PANCREATIC CANCER ACTION NETWORK, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021  
(WITH COMPARATIVE TOTALS FOR 2020)**

**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, 2021 and 2020, 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, 2020 with an auditors' report date of October 23, 2020, from which the summarized information was derived.

**PANCREATIC CANCER ACTION NETWORK, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2021**

**(WITH COMPARATIVE TOTALS FOR 2020)**

**NOTE 2 – Summary of Significant Accounting Policies (Continued)**

*Use of Estimates and Assumptions*

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions affecting the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant items subject to such estimates and assumptions, among others, include the carrying amount of property and equipment and the allowance for pledges receivable. Actual results could differ from those estimates.

*Cash and Cash Equivalents*

The Organization considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents. The Organization maintains its cash in financial institutions which, at times, may exceed federally insured limits. Historically, the Organization has not experienced any losses in such accounts. Management believes the Organization is not exposed to any significant credit risk on cash and cash equivalents.

*Investments*

Investments are recorded at fair value at quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the investment. In addition to gains and losses on investment sale transactions, investment income includes dividends and interest and is recognized as revenue in the period in which it is earned. Changes in fair value are recorded as unrealized gains (losses). Investment income amounts are reported as an increase in net assets without donor restrictions unless otherwise restricted by the donor. Contributions of securities from donors are recorded at fair value at the time the gift is made.

Investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with investments, it is at least reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the financial statements.

**PANCREATIC CANCER ACTION NETWORK, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021  
(WITH COMPARATIVE TOTALS FOR 2020)**

**NOTE 2 – Summary of Significant Accounting Policies (Continued)**

***Pledges Receivable***

The Organization recognizes donors' unconditional promises to give cash or other assets as revenue in the period promises are made. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Those promises to give that are expected to be collected over a period in excess of one year are recorded at the present value of their estimated future cash flows, discounted using an estimated market return rate of 3%. Amortization of the discount to present value is included in contribution revenue. Conditional promises to give are not recognized as revenue until the conditions are met.

***Inventory***

Inventory consists of various branded promotional items that are held for sale. Inventory is stated at the lower of cost or market determined by using the first-in, first-out (FIFO) method.

***Property and Equipment***

Property and equipment are stated at cost, except for donated assets, which, except for certain facility improvements, are recorded at fair value at the time of receipt. The Organization capitalizes expenditures for property and equipment greater than \$5,000. Additionally, the Organization capitalizes certain direct costs associated with the development of its website and its clinical trials database system. The Organization also capitalizes a group of assets purchased in bulk, if those bulk items are over \$10,000.

Depreciation and amortization expense is calculated using the straight-line method over estimated useful lives of three to ten years for furniture and equipment, computer software and internally developed asset costs. Leasehold improvements and equipment under capital lease obligations are amortized on a straight-line basis over the estimated life of the asset or the remaining life of the lease, whichever is shorter.

**PANCREATIC CANCER ACTION NETWORK, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021  
(WITH COMPARATIVE TOTALS FOR 2020)**

**NOTE 2 – Summary of Significant Accounting Policies (Continued)**

*Fair Value Measurements*

The Organization follows the guidance required for fair value measurements of financial and nonfinancial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring or nonrecurring basis. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in certain instances, there are no quoted market prices for the Organization's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques.

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

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

The Organization's assessment of the significance of a particular input to the fair value measurements requires judgment, and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy.

*Contributions*

Contributions are recognized as revenue in the period received or pledged and are considered to be available for unrestricted use, unless specifically restricted by the donor. Contributions received with donor-imposed restrictions are recorded as net assets with donor restrictions revenue. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

**PANCREATIC CANCER ACTION NETWORK, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2021**

**(WITH COMPARATIVE TOTALS FOR 2020)**

**NOTE 2 – Summary of Significant Accounting Policies (Continued)**

*Contributions (Continued)*

Bequests are recognized at the time the Organization receives notification of its right to them as a beneficiary, the proceeds are subject to reasonable estimation, and there are no known or probable impediments to receipt of the bequeathed gift. As of June 30, 2021 and June 30, 2020, there were no outstanding bequest receivables. 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 \$8,150 and \$11,863, representing the estimated fair value of donated goods and services for the years ended June 30, 2021 and 2020, respectively. Many individuals, most of whom are active in one of the 57 nationwide Community Engagement volunteer affiliates as of June 30, 2021, 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 \$16,900 and \$105,000 in professional legal services provided to the Organization at no cost for the years ended June 30, 2021 and 2020, respectively.

*Clinical Research Contracts*

The Organization earns revenue from various contracts with pharmaceutical and research organizations for design and management of clinical trial research. Revenue from these contracts with customers is recognized on the expected consideration to be received and is recognized as performance obligations are satisfied, which can be at a point in time when related to patient enrollment, or over time when the contract includes certain milestones mirrored to costs incurred. Receivables are recognized only to the extent that the Organization 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. During the year ended June 30, 2021, the Organization began enrolling patients into Precision Promise, which is an adaptive clinical trial, and the largest source for its clinical research revenue.

**PANCREATIC CANCER ACTION NETWORK, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021  
(WITH COMPARATIVE TOTALS FOR 2020)**

**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, 2021 and 2020, grants payable was discounted using rates of .87% and .29%, 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, 2021 and 2020, advertising expense totaled \$564,966 and \$588,377, 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, 2021 and 2020. 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, 2021**

**(WITH COMPARATIVE TOTALS FOR 2020)**

**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.

***Subsequent Events***

In preparing these financial statements, the Organization's management has evaluated subsequent events and transactions for potential recognition or disclosure through October 20, 2021, the date at which the financial statements were available to be issued.



**PANCREATIC CANCER ACTION NETWORK, INC.**

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**NOTE 3 – Liquidity and Availability**

The total financial assets held by the Organization at June 30, 2021 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	\$ 21,145,877
Investments	31,568,624
Pledges receivable, net	11,854,562
Receivables	<u>1,613,670</u>
	<u>66,182,733</u>
Less amounts not available to be used within one year due to:	
Donor-designated for purpose or time	(8,616,872)
Board-designated for operating reserve	<u>(17,480,000)</u>
Financial assets available to meet general expenditures within one year:	<u>\$ 40,085,861</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.**

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**NOTE 4 – Investments**

Investments held at June 30, 2021 and 2020 consist of:

	<b>2021</b>		<b>2020</b>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Fixed Income Securities:				
Corporate bonds	\$ 5,259,145	\$ 5,482,726	\$ 4,789,033	\$ 5,093,393
US Federal agencies	5,639,289	5,711,168	4,502,579	4,736,185
Mortgage pools and other fixed income	179,752	179,537	260,489	332,480
Mutual and exchange traded funds:				
Bond funds	7,499,411	7,550,721	5,775,286	5,631,895
Equity funds and other assets	6,535,995	7,925,698	3,099,443	2,931,300
Common stocks	<u>2,848,976</u>	<u>4,718,774</u>	<u>3,103,855</u>	<u>4,044,474</u>
	<u>\$ 27,962,568</u>	<u>\$ 31,568,624</u>	<u>\$ 21,530,685</u>	<u>\$ 22,769,727</u>

At June 30, 2021, fixed income securities bear maturity dates through 2031.

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

	<b>For the Year Ended June 30,</b>	
	<u>2021</u>	<u>2020</u>
Dividend and interest income, net	\$ 526,243	\$ 742,160
Net realized and unrealized gains	<u>2,966,510</u>	<u>134,956</u>
	<u>\$ 3,492,753</u>	<u>\$ 877,116</u>

Dividend and interest income is reported net of investment advisor and bank fees of \$171,457 and \$165,822 in 2021 and 2020, respectively.

**PANCREATIC CANCER ACTION NETWORK, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2021**

**(WITH COMPARATIVE TOTALS FOR 2020)**

**NOTE 4 – Investments (Continued)**

The following tables present assets that are measured at fair value on a recurring basis at June 30, 2021 and 2020:

	<u>Fair Value Measurements at June 30, 2021</u>			<u>Total</u>	
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2021</u>	<u>2020</u>
Fixed Income					
Securities:					
Corporate bonds	\$ -	\$ 5,482,726	\$ -	\$ 5,482,726	\$ 5,093,393
US Federal agencies	5,711,168	-	-	5,711,168	4,736,185
Mortgage pools and other fixed income	179,537	-	-	179,537	332,480
Mutual and exchange traded funds:					
Bond funds	7,550,721	-	-	7,550,721	5,631,895
Equity funds and other assets	7,925,698	-	-	7,925,698	2,931,300
Common stocks	<u>4,718,774</u>	<u>-</u>	<u>-</u>	<u>4,718,774</u>	<u>4,044,474</u>
Total	<u>\$ 26,085,898</u>	<u>\$ 5,482,726</u>	<u>\$ -</u>	<u>\$ 31,568,624</u>	<u>\$ 22,769,727</u>

**PANCREATIC CANCER ACTION NETWORK, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

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**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, 2021 are as follows:

<u>Year Ending</u> <u>June 30,</u>	
2022	\$ 8,319,118
2023	1,843,253
2024	939,750
2025	338,000
2026	240,000
Thereafter	<u>800,000</u>
	12,480,121
Less discount at a rate of 3.0%	(559,687)
Less allowance for uncollectible pledges	<u>(65,872)</u>
	<u>\$ 11,854,562</u>

Uncollectible pledge expense of \$10,000 and \$60,000 was reported in miscellaneous expense in the accompanying statement of activities for the years ended June 30, 2021 and 2020, respectively.

**NOTE 6 – Property and Equipment**

Property and equipment consists of the following:

	<u>June 30,</u>	
	<u>2021</u>	<u>2020</u>
Furniture and equipment	\$ 520,977	\$ 505,317
Computer software and hardware	870,385	649,374
Database system and website	3,377,942	3,349,052
Leasehold improvements	<u>872,026</u>	<u>872,026</u>
	5,641,330	5,375,769
Accumulated depreciation and amortization	<u>(4,952,004)</u>	<u>(4,487,703)</u>
	<u>\$ 689,326</u>	<u>\$ 888,066</u>

**PANCREATIC CANCER ACTION NETWORK, INC.**

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**NOTE 6 – Property and Equipment (Continued)**

Furniture and equipment includes assets acquired in exchange for capital lease obligations. The cost of the capital lease equipment was \$26,340 and \$15,817 at June 30, 2021 and 2020, respectively. Related accumulated amortization of the capital lease equipment at June 30, 2021 and 2020 was \$0 and \$13,296, 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. Website development costs are amortized over a three-year period. Amortization of the internally developed clinical trials database system and website costs were \$308,653 and \$497,768 for the years ended June 30, 2021 and 2020, respectively.

During the years ended June 30, 2021 and 2020, the Organization incurred database system development expenditures of \$28,890 and \$85,852, respectively. 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 \$480,118 and \$748,862 for the years ended June 30, 2021 and 2020, 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, 2021 are as follows:

<u>Year Ending June 30,</u>	
2022	\$ 6,014,075
2023	1,460,000
2024	190,000
Less discount rate ranging from 0.29% - 2.78%	<u>(45,727)</u>
	<u>\$ 7,618,348</u>

**PANCREATIC CANCER ACTION NETWORK, INC.**

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**NOTE 7 – Grant Obligations (Continued)**

During the year ended June 30, 2021, the Organization recorded new grant obligations in the amount of \$2,375,694. This amount was comprised of grant awards in the amount of \$2,400,000 and a grant obligation discount in the amount of \$24,306. Also, during the year ended June 30, 2021, the Organization recorded new grant agreements related to Early Detection Initiative in the amount of \$829,137.

**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). 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. On August 6, 2021, the Small Business Administration approved forgiveness of the PPP loan in full. The Organization will recognize income from the forgiveness of the PPP loan during the year ended June 30, 2022.

**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 going forward. Certain events and programming have been postponed or rescheduled to accommodate remote attendance. Management continues to evaluate the potential future impact on its business and financial statements.

**PANCREATIC CANCER ACTION NETWORK, INC.**

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**NOTE 9 – Commitments and Contingencies (Continued)**

*Facilities Leases*

The Organization is obligated under an operating lease for the rental of office space in Manhattan Beach, which 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.

The Washington D.C. operating lease agreement with monthly payments of \$850 expired on December 31, 2020.

Future minimum lease payments for the corporate facility operating leases, including minimum parking accommodations, as of June 30, 2021 are as follows:

<b>Year Ending June 30,</b>	
2022	\$ 1,065,722
2023	1,119,773
2024	1,138,726
2025	1,158,608
2026	1,179,446
Thereafter	<u>395,500</u>
	<u>\$ 6,057,775</u>

**PANCREATIC CANCER ACTION NETWORK, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
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**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. The three-year operating lease requires monthly payments of \$595 and expires in June 2023. The capital lease requires monthly payments of \$789, including imputed interest at 11%, and expires in September 2024.

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>
2022	\$ 9,463	\$ 7,140
2023	9,463	7,140
2024	9,463	-
2025	2,344	-
Less amount representing interest	<u>(4,393)</u>	<u>-</u>
	<u>\$ 26,340</u>	<u>\$ 14,280</u>

During the years ended June 30, 2021 and 2020, rental expense for facility and equipment operating leases totaled \$957,352 and \$1,314,251, 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.**

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**NOTE 10 – Net Assets**

*Net Assets without Donor Restrictions*

Net assets without donor restrictions consists of the following:

	<b>June 30,</b>	
	<b>2021</b>	<b>2020</b>
Undesignated	\$ 23,391,033	\$ 14,235,504
Board designated operating reserve	17,480,000	13,040,000
	<b>\$ 40,871,033</b>	<b>\$ 27,275,504</b>

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 revenue is 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 portfolio. At June 30, 2021 and 2020, the Board Designated Operating Reserve balance was \$17,480,000 and \$13,040,000, 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:

<b>Program</b>	<b>Available June 30, 2020</b>	<b>New Revenue</b>	<b>Expenditures/ Release from Restrictions</b>	<b>Available June 30, 2021</b>
Research	\$ 14,377,920	\$ 5,868,387	\$ (12,532,348)	\$ 7,713,959
Education/training	590,720	55,000	(645,720)	-
Patient services	-	1,504,696	(1,504,696)	-
Subject to passage of time	1,008,486	5,740	(111,313)	902,913
	<b>\$ 15,977,126</b>	<b>\$ 7,433,823</b>	<b>\$ (14,794,077)</b>	<b>\$ 8,616,872</b>

**PANCREATIC CANCER ACTION NETWORK, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 11 – Retirement Plan**

The Organization has a 401(k) profit-sharing plan (the Plan) covering all eligible employees. The Plan provides for participants to make 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, 2021 and 2020, the Organization made nondiscretionary contributions of \$538,857 and \$491,416, respectively, towards its employees’ 401(k) retirement accounts.

**NOTE 12 – Deferred Compensation Plans**

In July 2015, the Organization adopted a deferred compensation plan in accordance with Section 457(f) of the Internal Revenue Code. In September 2020, the Organization 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 the Organization the opportunity to defer specified amounts of compensation on a pre-tax basis. As of June 30, 2021, the Organization held no amounts accrued under the deferred compensation plans.

**NOTE 13 – Supplemental Disclosure of Cash Flow Information**

	<b>For the Year Ended</b>	
	<b>June 30,</b>	
	<b>2021</b>	<b>2020</b>
Interest paid	\$ <u>193</u>	\$ <u>1,986</u>
Noncash investing and financing transactions:		
Assets acquired under capital lease	\$ <u>26,340</u>	\$ <u>-</u>