Pancreatic Cancer Action Network, Inc.

Financial Statements

June 30, 2022
(with Comparative Totals for 2021)

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INDEPENDENT AUDITORS' REPORT

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

Opinion

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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pancreatic Cancer Action Network, Inc. (the Organization) as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 the Organization'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 the Organization'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.

Report on Summarized Comparative Information

We have previously audited the Pancreatic Cancer Action Network, Inc.'s 2021 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated October 20, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Windes, Inc.

Long Beach, California
October 7, 2022

PANCREATIC CANCER ACTION NETWORK, INC.

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

ASSETS

	June 30, 2022	June 30, 2021
ASSETS		
Cash and cash equivalents	$ 21,628,423	$ 21,145,877
Investments	30,006,499	31,568,624
Pledges receivable, net	8,249,392	11,854,562
Receivables	6,666,305	1,613,670
Inventory	40,327	44,260
Prepaid expenses	902,759	1,007,398
Property and equipment, net	501,515	689,326
Other assets	164,478	163,815
TOTAL ASSETS	$ 68,159,698	$ 68,087,532

LIABILITIES AND NET ASSETS

	2022	2021
LIABILITIES		
Accounts payable and accrued expenses	$ 6,326,561	$ 4,420,076
Accrued wages and benefits	2,583,278	2,749,632
Grant obligations, net	12,349,632	7,618,348
Deferred revenue	971,345	971,345
Deferred lease liability	757,717	863,886
Note payable	-	1,950,000
Capital lease obligations	17,138	26,340
	23,005,671	18,599,627
COMMITMENTS AND CONTINGENCIES (Note 9)		
NET ASSETS		
Without donor restrictions:		
Undesignated	24,304,435	23,391,033
Board-designated operating reserve	19,000,000	17,480,000
	43,304,435	40,871,033
With donor restrictions	1,849,592	8,616,872
	45,154,027	49,487,905
TOTAL LIABILITIES AND NET ASSETS	$ 68,159,698	$ 68,087,532

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, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	Without Donor Restrictions	With Donor Restrictions	June 30, 2022	June 30, 2021
REVENUE, EARNINGS AND OTHER SUPPORT				
Contributions	$ 18,296,408	$ 9,122,084	$ 27,418,492	$ 28,941,385
Special events (net of direct costs of $3,316,146 and $246,325 for 2022 and 2021, respectively)	12,522,009	-	12,522,009	9,321,555
Clinical research contracts	9,657,033	-	9,657,033	5,105,747
Note payable forgiveness	1,950,000	-	1,950,000	-
Contributed nonfinancial assets	194,604	-	194,604	8,150
Other income	34,945	-	34,945	18,377
Investment return	(3,614,468)	-	(3,614,468)	3,492,753
Net assets released from restrictions	15,889,364	(15,889,364)	-	-
Total Revenue, Earnings and Other Support	54,929,895	(6,767,280)	48,162,615	46,887,967
EXPENSES				
Program services:				
Research	24,977,124	-	24,977,124	19,873,928
Advocacy	1,403,585	-	1,403,585	1,179,370
Patient services	4,635,006	-	4,635,006	3,148,104
Community engagement	6,981,104	-	6,981,104	4,601,502
Total Program Services	37,996,819	-	37,996,819	28,802,904
Supporting services:				
Management and administration	9,268,249	-	9,268,249	7,966,780
Development	5,231,425	-	5,231,425	3,883,008
Total Supporting Services	14,499,674	-	14,499,674	11,849,788
Total Expenses	52,496,493	-	52,496,493	40,652,692
CHANGE IN NET ASSETS	2,433,402	(6,767,280)	(4,333,878)	6,235,275
NET ASSETS AT BEGINNING OF YEAR	40,871,033	8,616,872	49,487,905	43,252,630
NET ASSETS AT END OF YEAR	$ 43,304,435	$ 1,849,592	$ 45,154,027	$ 49,487,905

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, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	Program Services					Supporting Services				
	Research & Scientific Affairs	Advocacy	Patient Services	Community Engagement	Total Program Services	Management & Administration	Fundraising	Total Supporting	Total 2022	Total 2021
Salaries	$ 4,124,122	$ 847,445	$ 2,742,708	$ 3,530,663	$ 11,244,938	$ 4,631,056	$ 3,003,152	$ 7,634,208	$ 18,879,146	$ 16,143,194
Payroll taxes and benefits	726,569	148,410	475,798	620,083	1,970,860	785,027	526,033	1,311,060	3,281,920	2,711,223
Research	18,684,086	-	-	-	18,684,086	-	-	-	18,684,086	14,491,771
Conferences and workshops	52,964	90,853	2,635	42,626	189,078	866	4,830	5,696	194,774	171,925
Professional fees	819,829	226,752	574,743	1,212,528	2,833,852	1,036,363	909,349	1,945,712	4,779,564	2,424,066
Accounting, legal and regulatory fees	65,960	-	-	1,738	67,698	47,323	-	47,323	115,021	223,031
Advertising	-	-	358,703	934,499	1,293,202	72,282	23,354	95,636	1,388,838	564,966
Donor and affiliate engagement	793	-	-	70,613	71,406	5,941	203,465	209,406	280,812	82,388
Directors' meetings	-	-	-	-	-	99,067	-	99,067	99,067	3,121
Dues and subscriptions	16,819	22,810	-	99	39,728	14,660	115,854	130,514	170,242	87,221
Equipment and maintenance	-	-	-	-	-	85,732	-	85,732	85,732	54,157
Finance and processing charges	-	-	-	1,826	1,826	976,362	-	976,362	978,188	697,512
Information technology	24,240	6,875	20,638	173,164	224,917	795,536	182,654	978,190	1,203,107	970,750
Insurance	59,649	-	6,857	34,577	101,083	144,805	-	144,805	245,888	213,619
Occupancy	169,198	42,737	225,268	205,268	642,471	192,629	143,356	335,985	978,456	949,879
Postage and delivery	25	-	38,518	25,727	64,270	29,243	28,402	57,645	121,915	112,701
Printing and supplies	113	7,046	154,672	8,328	170,159	83,155	29,416	112,571	282,730	155,958
Staff support	2,280	1,140	1,933	17,297	22,650	220,384	16,878	237,262	259,912	106,332
Travel	29,630	3,333	-	72,386	105,349	14,813	23,958	38,771	144,120	8,760
Depreciation	200,847	6,184	32,533	29,682	269,246	33,005	20,724	53,729	322,975	480,118
TOTALS	$ 24,977,124	$ 1,403,585	$ 4,635,006	$ 6,981,104	$ 37,996,819	$ 9,268,249	$ 5,231,425	$ 14,499,674	$ 52,496,493	$ 40,652,692

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, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	For the Year Ended June 30, 2022	For the Year Ended June 30, 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (4,333,878)	$ 6,235,275
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	322,974	480,118
Net realized and unrealized loss (gain) on investments	4,602,744	(2,966,510)
Donated stocks	(606,066)	-
Provision for uncollectible pledges	80,000	10,000
Bad debt expense	-	2,978
Forgiveness on note payable	(1,950,000)	-
Changes in operating assets and liabilities:		
Pledges receivable	3,525,170	3,384,308
Receivables	(5,052,635)	(234,214)
Inventory	3,933	18,114
Prepaid expenses	104,639	161,651
Other assets	(663)	(318)
Accounts payable and accrued expenses	1,906,485	2,809,387
Accrued wages and benefits	(166,354)	618,327
Grant obligations	4,731,284	(3,776,651)
Deferred revenue	-	971,345
Deferred lease liability	(106,169)	352,248
Net Cash Provided By Operating Activities	3,061,464	8,066,058
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(12,249,640)	(20,513,567)
Proceeds from sale of investments	9,815,087	14,681,180
Purchase of property and equipment	(135,163)	(255,038)
Net Cash Used In Investing Activities	(2,569,716)	(6,087,425)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease obligations	(9,202)	(3,009)
Net Cash Used In Financing Activities	(9,202)	(3,009)
NET CHANGE IN CASH AND CASH EQUIVALENTS	482,546	1,975,624
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	21,145,877	19,170,253
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 21,628,423	$ 21,145,877

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

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. The Organization's cumulative research investment is now $174 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 59 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.

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, 2022 and 2021, 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, 2021 from which the summarized information was derived.

Reclassifications

Certain reclassifications have been made to the 2021 financial statement presentation to correspond to current year's format.

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.

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.

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.

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, 2022 and June 30, 2021, there were no outstanding bequest receivables.

Contributed nonfinancial assets are recorded at their estimated fair values on the date received. For the years ended June 30, 2022 and 2021, contributed nonfinancial assets recognized within the statement of activities included:

	2022	2021
Services	$ 175,240	$ -
Food	13,858	-
Use of facilities	3,466	-
Gift cards	1,820	150
Supplies	220	8,000
	$ 194,604	$ 8,150

Contributed nonfinancial assets did not have donor-imposed restrictions. Donated advertising services and use of storage facilities are reported at the estimated fair value in the financial statements based on current rates for similar services and were utilized by the Organization's program services.

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

Many individuals, most of whom are active in one of the 59 nationwide Community Engagement volunteer affiliates as of June 30, 2022, 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 $15,000 and $16,900 in professional legal services provided to the Organization at no cost for the years ended June 30, 2022 and 2021, respectively.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

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 certain milestones are achieved. 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.

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, 2022 and 2021, grants payable was discounted using rates of 3.01% and .87%, respectively. Unused grant awards are returned to the Organization and reduce the research grant expense in the year returned.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Advertising Costs

Advertising costs are expensed in the period the advertisement is run and charged directly to the program benefiting from the advertisement. Advertising expenses that affect more than one functional area are allocated to applicable areas based on ratios estimated by management. During the years ended June 30, 2022 and 2021, advertising expense totaled $1,388,838 and $564,966, respectively.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state laws. 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, 2022 and 2021. The Organization is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

Functional Expenses

The costs of providing program services and other activities have been summarized on a functional basis in the accompanying statement of activities and statement of functional expenses. Specifically identifiable costs are directly charged to the functional category to which they are attributed. Certain expense categories are attributable to more than one program service or support function. Therefore, these expenses require an allocation on a reasonable basis, involving management judgments. Salaries and benefits are allocated based on estimated percentage of time spent by employee on each relevant function. Shared costs that benefit multiple functional categories, such as occupancy, IT, and depreciation, are allocated to a function based on headcount or other appropriate allocation base determined by management to be equitable.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Functional Expenses (Continued)

During 2022, the functional allocation methodology was reviewed and revised to reflect the changes in the Organization and for some of the estimates used in prior years to better represent the allocation of these costs between the functional categories. As a result of this review there was a change to functional classifications used in prior year for those costs that benefit more than one functional category, based on the job descriptions of certain employees. As a result, there was a reclassification from program services and fundraising of $4,070,258 and $676,327, respectively, to management and administration in the 2021 statement of activities and statement of functional expenses. There was no change in the expense total or net assets as a result of this reclassification.

Recently Adopted Accounting Pronouncement

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 Organization adopted the standard during the year ended June 30, 2022 and included necessary presentation changes and disclosures herein.

Recently Issued Accounting Pronouncement

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.

PANCREATIC CANCER ACTION NETWORK, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Subsequent Events

In preparing these financial statements, the Organization's management has evaluated subsequent events and transactions for potential recognition or disclosure through October 7, 2022, the date at which the financial statements were available to be issued.

NOTE 3 – Liquidity and Availability

The total financial assets held by the Organization at June 30, 2022 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	$ 21,628,423
Investments	30,006,499
Pledges receivable, net	8,249,392
Receivables	6,666,305
	66,550,619
Less amounts not available to be used within one year due to:	
Donor-designated for purpose or time	(1,694,040)
Board-designated for operating reserve	(19,000,000)
	$ 45,856,579

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

PANCREATIC CANCER ACTION NETWORK, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

NOTE 4 – Investments

Investments held at June 30, 2022 and 2021 consist of:

	2022		2021	
	Cost	**Fair Value**	**Cost**	**Fair Value**
Fixed Income Securities:				
Corporate bonds	$ 4,613,391	$ 4,325,389	$ 5,259,145	$ 5,482,726
US Federal agencies	5,369,866	5,133,230	5,639,289	5,711,168
Mortgage pools and other fixed income	-	-	179,752	179,537
Mutual and exchange-traded funds:				
Bond funds	9,707,831	8,782,215	7,499,411	7,550,721
Equity funds and other assets	7,501,473	7,385,482	6,535,995	7,925,698
Common stocks	3,336,917	4,380,183	2,848,976	4,718,774
	$ 30,529,478	$ 30,006,499	$ 27,962,568	$ 31,568,624

Investment returns for the years ended June 30, 2022 and 2021 from these investments and other interest-bearing accounts are summarized as follows:

	2022	2021
Dividend and interest income, net	$ 988,276	$ 526,243
Net realized and unrealized gains (losses)	(4,602,744)	2,966,510
	$ (3,614,468)	$ 3,492,753

NOTE 4 – Investments (Continued)

Dividend and interest income is reported net of investment advisor and bank fees of $188,702 and $171,457 in 2022 and 2021, respectively.

The following tables present assets that are measured at fair value on a recurring basis at June 30, 2022 and 2021:

	Fair Value Measurements at June 30, 2022			Total	
	Level 1	Level 2	Level 3	2022	2021
Fixed Income Securities:					
Corporate bonds	$ -	$ 4,325,389	$ -	$ 4,325,389	$ 5,482,726
US Federal agencies	5,133,230	-	-	5,133,230	5,711,168
Mortgage pools and other fixed income	-	-	-	-	179,537
Mutual and exchange-traded funds:					
Bond funds	8,782,215	-	-	8,782,215	7,550,721
Equity funds and other assets	7,385,482	-	-	7,385,482	7,925,698
Common stocks	4,380,183	-	-	4,380,183	4,718,774
Total	$ 25,681,110	$ 4,325,389	$ -	$ 30,006,499	$ 31,568,624

PANCREATIC CANCER ACTION NETWORK, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

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, 2022 are as follows:

Year Ending June 30,	
2023	$ 5,031,123
2024	1,842,414
2025	857,000
2026	274,000
2027	201,000
Thereafter	602,000
	8,807,537
Less discount at a rate of 3.0%	(379,071)
Less allowance for uncollectible pledges	(179,074)
	$ 8,249,392

Uncollectible pledge expense of $80,000 and $10,000 was reported in finance and processing charges in the accompanying statement of activities for the years ended June 30, 2022 and 2021, respectively.

NOTE 6 – Property and Equipment

Property and equipment consists of the following:

	June 30, 2022	June 30, 2021
Furniture and equipment	$ 520,977	$ 520,977
Computer software and hardware	986,347	870,385
Database system and website	3,378,698	3,377,942
Leasehold improvements	890,471	872,026
	5,776,493	5,641,330
Accumulated depreciation and amortization	(5,274,978)	(4,952,004)
	$ 501,515	$ 689,326

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 at June 30, 2022 and 2021. Related accumulated amortization of the capital lease equipment at June 30, 2022 and 2021 was $9,671 and $0, 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 $176,402 and $308,653 for the years ended June 30, 2022 and 2021, respectively.

During the years ended June 30, 2022 and 2021, the Organization incurred database system development expenditures of $757 and $28,890, 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 $322,974 and $480,118 for the years ended June 30, 2022 and 2021, 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, 2022 are as follows:

Year Ending June 30,	
2023	$ 8,382,009
2024	3,810,000
2025	525,000
Less discount rate ranging from 0.87% - 3.01%	(367,377)
	$ 12,349,632

NOTE 7 – Grant Obligations (Continued)

During the year ended June 30, 2022, the Organization recorded new grant obligations in the amount of $10,154,938. This amount was comprised of grant awards in the amount of $10,510,000 and a grant obligation discount in the amount of $355,062.

NOTE 8 – Note Payable

In March 2020, Congress passed the Paycheck Protection Program (PPP), 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 PPP. On August 6, 2021, the Small Business Administration approved forgiveness of the PPP loan in full. The Organization recognized forgiveness of the PPP loan as revenue 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. As COVID restrictions were eased during 2022, the Organization was able to hold certain events and programming in-person. Management continues to evaluate the potential future impact on its business and financial statements.

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 $41,940 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.

Future minimum lease payments for the corporate facility operating leases, including minimum parking accommodations, as of June 30, 2022 are as follows:

Year Ending June 30,	
2023	$ 1,119,773
2024	1,138,726
2025	1,158,608
2026	1,179,446
2027	395,500
	$ 4,992,053

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.

NOTE 9 – Commitments and Contingencies (Continued)

Equipment Leases (Continued)

The future minimum capital and operating equipment lease payments are as follows:

Year Ending June 30,	Capital Lease	Operating Lease
2023	$ 9,463	$ 7,140
2024	9,463	-
2025	2,344	-
Less amount representing interest	(4,132)	-
	$ 17,138	$ 7,140

During the years ended June 30, 2022 and 2021, rental expense for facility and equipment operating leases totaled $987,515 and $957,352, respectively.

Litigation

From time to time, the Organization is involved in certain legal proceedings and claims which arise in the normal course of business. Management does not believe that the outcome of these matters will have a material effect on the Organization's statements of financial position or activities.

NOTE 10 – Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions consists of the following:

	June 30, 2022	June 30, 2021
Undesignated	$ 24,304,435	$ 23,391,033
Board-designated operating reserve	19,000,000	17,480,000
	$ 43,304,435	$ 40,871,033

NOTE 10 – Net Assets (Continued)

Net Assets Without Donor Restrictions (Continued)

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. At June 30, 2022 and 2021, the Board Designated Operating Reserve balance was $19,000,000 and $17,480,000, respectively, and represented approximately four months of fiscal operating expense for each year.

Net Assets With Donor Restrictions

Net assets with donor restrictions consists of the following:

Program	Available June 30, 2021	New Revenue	Expenditures/ Release from Restrictions	Available June 30, 2022
Research	$ 7,713,959	$ 8,332,921	$ (15,029,269)	$ 1,017,611
Education/training	-	305,250	(279,095)	26,155
Patient services	-	481,000	(481,000)	-
Subject to passage of time	902,913	2,913	(100,000)	805,826
	$ 8,616,872	$ 9,122,084	$ (15,889,364)	$ 1,849,592

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, 2022 and 2021, the Organization made nondiscretionary contributions of $624,792 and $538,858, 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, 2022, the Organization held no amounts accrued under the deferred compensation plans.

NOTE 13 – Supplemental Disclosure of Cash Flow Information

	For the Year Ended June 30,	
	2022	**2021**
Noncash investing and financing transactions:		
Assets acquired under capital lease	$ -	$ 26,340