



Papanicolaou Corps For Cancer Research, Inc.
d/b/a The Pap Corps

Financial Statements

May 31, 2022 and 2021

**Berkowitz
Pollack
Brant** Advisors
+CPAs



PAPANICOLAOU CORPS FOR CANCER RESEARCH, INC. D/B/A THE PAP CORPS

FINANCIAL STATEMENTS

May 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Papanicolaou Corps for Cancer Research, Inc. d/b/a The Pap Corps

We have audited the accompanying financial statements of Papanicolaou Corps for Cancer Research, Inc. d/b/a The Pap Corps (a nonprofit organization), which comprise the statements of financial position as of May 31, 2022 and 2021, 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 financial statements referred to above present fairly, in all material respects, the financial position of Papanicolaou Corps for Cancer Research, Inc. d/b/a The Pap Corps as of May 31, 2022 and 2021, 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. 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 Papanicolaou Corps for Cancer Research, Inc. d/b/a The Pap Corps 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 Papanicolaou Corps for Cancer Research, Inc. d/b/a The Pap Corps' ability to continue as a going concern within one year after the date that the 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 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 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 Papanicolaou Corps for Cancer Research, Inc. d/b/a The Pap Corps' 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 Papanicolaou Corps for Cancer Research, Inc. d/b/a The Pap Corps' 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 audits.



Fort Lauderdale, Florida
November 21, 2024

PAPANICOLAOU CORPS FOR CANCER RESEARCH, INC. D/B/A THE PAP CORPS

STATEMENTS OF FINANCIAL POSITION

	May 31,	
	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 4,112,751	\$ 1,324,989
Cash and cash equivalents - restricted	6,296	5,944
Investments	51,651	45,059
Receivables:		
Pledges, net of allowance for doubtful accounts of approximately \$260,000 at May 31, 2022 and 2021	98,747	132,591
Other, net of unamortized discount of \$4,869 and \$11,360	51,287	119,670
Prepaid expenses and other assets	66,245	72,267
Property and equipment, net	<u>-</u>	<u>1,121</u>
 TOTAL ASSETS	 <u>\$ 4,386,977</u>	 <u>\$ 1,701,641</u>
 LIABILITIES AND NET ASSETS (DEFICIT)		
LIABILITIES		
Accounts payable and accrued expenses	\$ 183,463	\$ 48,646
Deferred contributions	48,824	10,010
Paycheck protection program loan payable	-	75,000
Pledge payable, net	<u>23,303,928</u>	<u>22,588,168</u>
 TOTAL LIABILITIES	 23,536,215	 22,721,824
 COMMITMENTS AND CONTINGENCIES		
NET ASSETS (DEFICIT)		
Without donor restrictions	(19,206,821)	(21,145,797)
With donor restrictions	<u>57,583</u>	<u>125,614</u>
 TOTAL NET ASSETS (DEFICIT)	 <u>(19,149,238)</u>	 <u>(21,020,183)</u>
 TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	 <u>\$ 4,386,977</u>	 <u>\$ 1,701,641</u>

See notes to financial statements.

PAPANICOLAOU CORPS FOR CANCER RESEARCH, INC. D/B/A THE PAP CORPS

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended May 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
DONOR CONTRIBUTIONS, GAINS, AND OTHER SUPPORT:			
Special events contributions	\$ 2,855,592	\$ -	\$ 2,855,592
Contributions, legacies and bequests, net	1,962,193	-	1,962,193
Membership dues, net of cancellations and discounts	291,636	-	291,636
Other income, net	66,491	-	66,491
Interest and dividends, net	1,688	-	1,688
Unrealized gain on investment securities, net	6,592	-	6,592
Net assets released from restrictions	68,031	(68,031)	-
	<u>5,252,223</u>	<u>(68,031)</u>	<u>5,184,192</u>
TOTAL DONOR CONTRIBUTIONS, GAINS, AND OTHER SUPPORT			
EXPENSES:			
Program services	1,017,253	-	1,017,253
Supporting services:			
Management and general	409,819	-	409,819
Fundraising	1,886,175	-	1,886,175
Total supporting services	<u>2,295,994</u>	<u>-</u>	<u>2,295,994</u>
	<u>3,313,247</u>	<u>-</u>	<u>3,313,247</u>
TOTAL EXPENSES			
CHANGE IN NET ASSETS (DEFICIT)	1,938,976	(68,031)	1,870,945
NET ASSETS (DEFICIT) - BEGINNING OF YEAR	<u>(21,145,797)</u>	<u>125,614</u>	<u>(21,020,183)</u>
NET ASSETS (DEFICIT) - END OF YEAR	<u>\$ (19,206,821)</u>	<u>\$ 57,583</u>	<u>\$ (19,149,238)</u>

See notes to financial statements.

PAPANICOLAOU CORPS FOR CANCER RESEARCH, INC. D/B/A THE PAP CORPS

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended May 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
DONOR CONTRIBUTIONS, GAINS, AND OTHER SUPPORT:			
Special events contributions	\$ 1,260,133	\$ -	\$ 1,260,133
Contributions, legacies and bequests, net	1,908,890	-	1,908,890
Membership dues, net of cancellations and discounts	212,129	-	212,129
Other income, net	182,206	-	182,206
Interest and dividends, net	4,843	-	4,843
Unrealized gains on investment securities, net	12,320	-	12,320
Net assets released from restrictions	<u>232,392</u>	<u>(232,392)</u>	<u>-</u>
TOTAL DONOR CONTRIBUTIONS, GAINS, AND OTHER SUPPORT	<u>3,812,913</u>	<u>(232,392)</u>	<u>3,580,521</u>
EXPENSES:			
Program services	1,236,601	-	1,236,601
Supporting services:			
Management and general	348,692	-	348,692
Fundraising	<u>1,030,618</u>	<u>-</u>	<u>1,030,618</u>
Total supporting services	<u>1,379,310</u>	<u>-</u>	<u>1,379,310</u>
TOTAL EXPENSES	<u>2,615,911</u>	<u>-</u>	<u>2,615,911</u>
CHANGE IN NET ASSETS (DEFICIT)	1,197,002	(232,392)	964,610
NET ASSETS (DEFICIT) - BEGINNING OF YEAR	<u>(22,342,799)</u>	<u>358,006</u>	<u>(21,984,793)</u>
NET ASSETS (DEFICIT) - END OF YEAR	<u>\$ (21,145,797)</u>	<u>\$ 125,614</u>	<u>\$ (21,020,183)</u>

See notes to financial statements.

PAPANICOLAOU CORPS FOR CANCER RESEARCH, INC. D/B/A THE PAP CORPS

STATEMENT OF FUNCTIONAL EXPENSES

For the Fiscal Year Ended May 31, 2022

	PROGRAM SERVICES		SUPPORTING SERVICES			Total Program and Supporting Services Expenses
	Research	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 103,558	\$ 103,558	\$ 155,336	\$ 258,894	\$ 414,230	\$ 517,788
Payroll taxes	8,089	8,089	12,134	20,224	32,358	40,447
Employee benefits	12,594	12,594	19,029	31,804	50,833	63,427
Employee retirement benefit	2,195	2,195	3,293	5,489	8,782	10,977
Total salaries and related expenses	<u>126,436</u>	<u>126,436</u>	<u>189,792</u>	<u>316,411</u>	<u>506,203</u>	<u>632,639</u>
Food and beverage	-	-	23,024	206,262	229,286	229,286
Charitable donations	715,760	715,760	-	-	-	715,760
Fundraising expense, supplies and materials	161,199	161,199	2,707	982,446	985,153	1,146,352
Printing	-	-	-	30,776	30,776	30,776
Travel and entertainment	-	-	3,121	-	3,121	3,121
In-kind	-	-	74,874	-	74,874	74,874
Advertising and marketing	12,576	12,576	200	57,247	57,447	70,023
Professional fees	-	-	72,731	108,466	181,197	181,197
Bank fees	1,282	1,282	11,045	100,894	111,939	113,221
Office	-	-	10,455	35,258	45,713	45,713
Software	-	-	16,435	38,349	54,784	54,784
Insurance	-	-	3,078	7,182	10,260	10,260
Facility, equipment and supply	-	-	1,236	2,884	4,120	4,120
Depreciation	-	-	1,121	-	1,121	1,121
Total	<u>\$ 1,017,253</u>	<u>\$ 1,017,253</u>	<u>\$ 409,819</u>	<u>\$ 1,886,175</u>	<u>\$ 2,295,994</u>	<u>\$ 3,313,247</u>

See notes to financial statements.

PAPANICOLAOU CORPS FOR CANCER RESEARCH, INC. D/B/A THE PAP CORPS

STATEMENT OF FUNCTIONAL EXPENSES

For the Fiscal Year Ended May 31, 2021

	PROGRAM SERVICES		SUPPORTING SERVICES			Total Program and Supporting Services Expenses
	Research	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 100,945	\$ 100,945	\$ 151,417	\$ 252,362	\$ 403,779	\$ 504,724
Payroll taxes	8,647	8,647	12,971	21,618	34,589	43,236
Employee benefits	8,500	8,500	12,751	21,250	34,001	42,501
Employee retirement benefit	1,686	1,686	2,529	4,215	6,744	8,430
Total salaries and related expenses	<u>119,778</u>	<u>119,778</u>	<u>179,668</u>	<u>299,445</u>	<u>479,113</u>	<u>598,891</u>
Food and beverage	-	-	1,133	38,451	39,584	39,584
Charitable donations	1,036,020	1,036,020	-	-	-	1,036,020
Fundraising expense, supplies and materials	57,304	57,304	-	460,828	460,828	518,132
Printing	-	-	-	7,080	7,080	7,080
Travel and entertainment	-	-	353	-	353	353
In-kind	-	-	74,874	-	74,874	74,874
Advertising and marketing	20,460	20,460	-	1,579	1,579	22,039
Professional fees	-	-	46,998	94,162	141,160	141,160
Bank fees	3,039	3,039	9,437	81,528	90,965	94,004
Office	-	-	9,746	-	9,746	9,746
Software	-	-	15,910	37,122	53,032	53,032
Insurance	-	-	5,808	9,164	14,972	14,972
Facility, equipment and supply	-	-	540	1,259	1,799	1,799
Storage	-	-	2,880	-	2,880	2,880
Depreciation	-	-	1,345	-	1,345	1,345
Total	<u>\$ 1,236,601</u>	<u>\$ 1,236,601</u>	<u>\$ 348,692</u>	<u>\$ 1,030,618</u>	<u>\$ 1,379,310</u>	<u>\$ 2,615,911</u>

See notes to financial statements.

PAPANICOLAOU CORPS FOR CANCER RESEARCH, INC. D/B/A THE PAP CORPS

STATEMENTS OF CASH FLOWS

	Fiscal years ended May 31,	
	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net deficit	\$ 1,870,945	\$ 964,610
Adjustments to reconcile change in net deficit to net cash provided by (used in) operating activities:		
Depreciation	1,121	1,345
Discount on promised use	(6,491)	(6,491)
Forgiveness from paycheck protection program loan payable	(75,000)	(170,800)
Unrealized gain on investment securities, net	(6,592)	(12,320)
Change in operating assets and liabilities:		
Pledges receivable	33,844	2,885
Other receivables	74,874	74,874
Prepaid expenses and other assets	6,022	25,881
Accounts payable and accrued expenses	134,817	(133,213)
Pledge payable, net	715,760	(2,585,194)
Deferred contributions	38,814	(132,014)
TOTAL ADJUSTMENTS	<u>917,169</u>	<u>(2,935,047)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>2,788,114</u>	<u>(1,970,437)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from paycheck protection program loan payable	-	75,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	-	75,000
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,788,114	(1,895,437)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,330,933</u>	<u>3,226,370</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 4,119,047</u>	<u>\$ 1,330,933</u>
SUPPLEMENTAL DISCLOSURE OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH:		
Cash and cash equivalents	\$ 4,112,751	\$ 1,324,989
Cash and cash equivalents - restricted	6,296	5,944
Total cash and cash equivalents	<u>\$ 4,119,047</u>	<u>\$ 1,330,933</u>

See notes to financial statements.

PAPANICOLAOU CORPS FOR CANCER RESEARCH, INC. D/B/A THE PAP CORPS

NOTES TO FINANCIAL STATEMENTS

May 31, 2022 and 2021

NOTE A--THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization: Papanicolaou Corps for Cancer Research Inc. (the "Organization") d/b/a The Pap Corps is a Florida not-for-profit organization exempt from income tax under Section 501(c)(3) of the United States Internal Revenue Code ("IRC"). The Organization was initially formed on February 1, 1990, under the name Papanicolaou Woman's Corps for Cancer Research, Inc. On July 21, 1999, the Organization amended its articles of incorporation and changed its name to Papanicolaou Corps for Cancer Research, Inc.

The Organization's sole purpose is to raise funds to support cancer research at the Sylvester Comprehensive Cancer Center at the University of Miami Miller School of Medicine ("Sylvester Center"). In 2016, the Organization made a \$50,000,000 unconditional commitment (the "Pledge") to the Sylvester Center to support the expansion of the Sylvester Comprehensive Cancer Center at the Deerfield Beach facility. In honor of the gift, the Sylvester Center named the facility The Pap Corps Campus. The Pledge was to be used to fund research in cancer epigenetics, cancer control and tumor biology to be paid over ten years and subsequently extended an additional five years (Note B). The Pledge was instrumental to the Sylvester Center's receipt of the prestigious National Cancer Institute ("NCI") designation. The Sylvester Center is the only NCI-designated cancer center in South Florida, and one of only two in the state of Florida. Over the years, the Organization has donated over \$100,000,000, including the historic \$50,000,000 Pledge to the Sylvester Center. Funds raised at the Organization's events are utilized to support the Sylvester Center, as well as pay down the Pledge. Through May 31, 2022 and 2021, the Organization has paid approximately \$20,970,000 of the Pledge balance.

The Organization is headquartered in Deerfield Beach, Florida, maintains chapters throughout the state of Florida, and has an office location in West Palm Beach, Florida. The Organization is the largest, volunteer cancer fundraising organization in South Florida, with approximately 22,000 volunteers.

Basis of Accounting: The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Net assets, donor contributions, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

PAPANICOLAOU CORPS FOR CANCER RESEARCH, INC. D/B/A THE PAP CORPS

NOTES TO FINANCIAL STATEMENTS--Continued

NOTE A--THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Basis of Accounting--Continued:

- Net assets without donor restrictions: Net assets currently available for use in the current operation of the Organization under the direction of the Board of Directors, and those resources invested in property and equipment.
- Net assets with donor restrictions: Net assets with donor restrictions represent contributions subject to donor-imposed restrictions. Some restrictions are temporary in nature, stipulating that resources be used after a specified date or for a particular purpose. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of a restriction is accomplished, net assets are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Some restrictions are perpetual in nature and mandate the original principal be invested in perpetuity. There were no assets with perpetual restrictions as of May 31, 2022 and 2021.

Liquidity: Assets are presented in the accompanying statements of financial position according to their nearness of conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash.

Cash Equivalents: All highly liquid cash investments with original maturities of three months or less when purchased are considered to be cash equivalents. The Organization maintained approximately \$89,000 and \$885,000 in cash equivalents as of May 31, 2022 and 2021, respectively.

Investment Securities: Investment securities are reported at fair value. 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 (Note F). A decline in the fair value of an investment security below cost that is deemed other than temporary is charged as an impairment loss of investment securities. As of May 31, 2022 and 2021, management determined that no investment securities were other than temporarily impaired. Investment security transactions are recorded on a trade date basis. The cost basis of investments sold is determined by the average cost method. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Advertising Costs: Advertising costs are expensed as incurred and amounted to approximately \$70,000 and \$22,000 for the fiscal years ended May 31, 2022 and 2021, respectively.

PAPANICOLAOU CORPS FOR CANCER RESEARCH, INC. D/B/A THE PAP CORPS

NOTES TO FINANCIAL STATEMENTS--Continued

NOTE A--THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Pledges Receivable: Unconditional promises to give are included in the financial statements as pledges receivable and contribution revenue in the appropriate net asset category. Allowances are provided for amounts estimated to be uncollectible based on historical experience and any specific collection issues that the Organization has identified. It is the Organization's policy to charge uncollectible promises to give against the allowance when management determines that the related balance will not be collected.

Property and Equipment: Property and equipment are stated at cost or, if donated, at its fair value at the date of donation. Depreciation expense is computed using accelerated methods over the estimated useful lives of the related assets, which approximates the straight-line method. Property and equipment are evaluated for impairment, on an annual basis, and a provision is recorded whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. The Organization does not believe that there are any factors or circumstances indicating impairment of any of its property and equipment as of May 31, 2022 and 2021.

Deferred Contributions: Contributions received ahead of corresponding events are deferred and recognized when the respective event occurs.

Contributions: Contributions and gifts received with no restrictions or specified uses identified by the donor or grantor are included in contributions without donor restrictions in the statement of activities when received. Contributions received with donor or grantor stipulations that limit the use of donated assets are reported as contributions with donor restrictions in the statement of activities when received. When donor or grantor restrictions expire or are fulfilled by actions of the Organization, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met within the same year as received are reflected as contributions without donor restrictions in the accompanying financial statements.

Fund-Raising Activities: The Organization's financial statements are presented in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958, "Not-for-Profit Entities". FASB ASC 958 establishes criteria for accounting and reporting for any entity that solicits contributions.

In-kind Donations: Donated assets are recorded at fair value on the date of the donation. The Organization utilizes the services of volunteers in its program services and fundraising campaigns. Because there are no objective means of valuing such services, no amounts have been recorded in the accompanying financial statements.

PAPANICOLAOU CORPS FOR CANCER RESEARCH, INC. D/B/A THE PAP CORPS

NOTES TO FINANCIAL STATEMENTS--Continued

NOTE A--THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Functional Allocation of Expenses: The costs of providing for the research program and other activities have been summarized on a functional basis in the statements of activities. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. A majority of the common expenses have been allocated among the program and supporting services based upon an individual's salary and management's estimate of time spent within the functional areas of the Organization. Expenditures made in direct fulfillment of the Organization's expressed goals are classified as program services.

Use of Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of donor contributions and expenses, and gains and losses during the reporting period. The most significant estimates include an allowance for uncollectible pledges receivable and an estimate for indirect expenses that are allocated among the program and supporting services. Actual results could differ from those estimates.

Subsequent Events: The Organization has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through November 21, 2024, the date the financial statements were available to be issued.

Adoption of New Accounting Principles: In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers. This guidance provides a five-step analysis in determining when and how revenue is recognized so that an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects what it expects in exchange for the goods and services. It also requires more detailed disclosures to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. In August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers (ASC Topic 606): Deferral of Effective Date which approved a one-year deferral of the effective date of ASU 2014-09. As a result of this deferral, ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. In addition, the FASB issued ASU 2016-08, ASU 2016-10 and ASU 2016-12 in March 2016, April 2016, and May 2016, respectively, to provide interpretive clarifications on the new guidance in ASC Topic 606.

PAPANICOLAOU CORPS FOR CANCER RESEARCH, INC. D/B/A THE PAP CORPS

NOTES TO FINANCIAL STATEMENTS--Continued

NOTE A--THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Adoption of New Accounting Principles--Continued: In December 2016, the FASB issued ASU 2016-20, Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers. The amendments in this update affect narrow aspects of the guidance issued in ASU 2014-09 including loan guarantee fees, contract costs-impairment testing, provisions for losses on construction-type and production-type contracts, scope of Topic 606, disclosure of remaining performance obligations, disclosure of prior-period performance obligations, contract modifications example, contract asset versus receivable, refund liability, and advertising costs. In June 2020, the FASB issued ASU 2020-05 which updated the effective date related to ASU 2014-09. The effective date of the amendments in this update are for financial statements issued for annual reporting periods beginning after December 15, 2019, and interim reporting periods within annual reporting periods beginning after December 15, 2020.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, which clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The amendments in this ASU assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchanges (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The amendments in this Update apply to all entities, including business entities, that receive or make contributions of cash and other assets, including promises to give within the scope of Subtopic 958-605 and contributions made within the scope of Subtopic 720-25, Other Expenses-Contributions Made. The amendments in this ASU are to be applied on a modified prospective basis. However, retrospective application is permitted. For resource providers, the ASU is effective for annual periods beginning after December 15, 2019, with early adoption permissible.

The Organization adopted ASU 2014-09 and ASU 2018-08 and their respective interpretive updates effective June 1, 2020. Implementation of these standards did not require reclassification or restatement of any opening balances related to the period presented. The accompanying financial statements include the required enhancements to presentation and disclosure.

PAPANICOLAOU CORPS FOR CANCER RESEARCH, INC. D/B/A THE PAP CORPS

NOTES TO FINANCIAL STATEMENTS--Continued

NOTE A--THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Recent Accounting Pronouncements Pending Adoption: In February 2016, the FASB issued ASU 2016-02, Leases, which created Accounting Standards Codification (“ASC”) Topic 842, Leases and supersedes ASC Topic 840, Leases. Topic 842 requires lessees to recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset, for leases classified as operating leases under previous GAAP. In addition, the FASB issued ASU 2018-10 and ASU 2018-11 in July 2018, ASU 2018-20 in December 2018, and ASU 2019-01 in March 2019 to clarify and correct unintended application of guidance in ASC Topic 842. In November 2021, the FASB issued ASU 2021-09, which amends the practical expedient in FASB ASC Topic 842, Leases, that allows lessees that are not public business entities to make an accounting policy election to use a risk-free rate as the rate applied to discount lease liabilities and the corresponding right-of-use assets. The amendments in these updates are generally effective for fiscal years beginning after December 15, 2021, as amended by ASU 2020-05 Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842). The Organization is currently evaluating the impact that the adoption of ASU 2016-02 and these related amendments will have on the Organization’s financial statements.

In June 2016, the FASB issued ASU 2016-13 Financial Instruments, Measurement of Credit Losses on Financial Instruments. The main objective of this update is to replace the incurred loss impairment methodology under current GAAP, with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Trade receivables that management has the intent and ability to hold for the foreseeable future until payoff shall be reported in the statement of financial position at outstanding principal adjusted for any charge-offs and the allowance for credit losses (no longer referred to as the allowance for doubtful accounts). Subsequent to June 2016, the FASB has issued various accounting standards updates to clarify and improve areas of guidance related to ASU 2016-13. ASU 2016-13 is effective for annual reporting periods beginning after December 15, 2022. The Organization is currently evaluating the impact that the adoption of ASU 2016-13 and its related amendments will have on its financial statements.

In October 2020, the FASB issued ASU 2020-10, Codification Improvements. The amendments in this ASU improve the consistency of the ASC by including all disclosure guidance in the appropriate disclosure section and clarifying the guidance so that an entity can apply the guidance more consistently. ASU 2020-10 is effective for annual periods beginning after December 15, 2021. The Organization is currently evaluating the impact that the adoption of ASU 2020-10 will have on its financial statements.

PAPANICOLAOU CORPS FOR CANCER RESEARCH, INC. D/B/A THE PAP CORPS

NOTES TO FINANCIAL STATEMENTS--Continued

NOTE B--PLEDGE PAYABLE

The Organization made an unconditional gift commitment of \$50,000,000 to Sylvester during the fiscal year ended May 31, 2017, pursuant to a gift agreement executed September 22, 2016, as amended. This pledge to give was recorded when awarded by the Organization. At May 31, 2022 and 2021, the Organization had a payable to Sylvester Center amounting to approximately \$23,304,000 and \$22,588,000, respectively, related to this pledge. Pledge payable represents the present value of estimated future cash outflows for the unconditional promise to give made by the Organization to Sylvester.

The promise extends to May 31, 2031 and is discounted at a rate commensurable with the risk involved. For both fiscal years ended May 31, 2022 and 2021, the change in Pledge discount was approximately \$715,760.

Pledge payable is valued at May 31, 2022, as follows:

<u>Fiscal Year Ended May 31,</u>	<u>Amount</u>
2023	\$ 6,670,260
2024	3,194,250
2025	3,194,250
2026	3,194,250
2027	3,194,250
Thereafter	<u>9,582,750</u>
	<u>\$ 29,030,010</u>
Less: discount to present value	<u>(5,726,082)</u>
Pledge payable at May 31, 2022, net	<u>\$ 23,303,928</u>

PAPANICOLAOU CORPS FOR CANCER RESEARCH, INC. D/B/A THE PAP CORPS

NOTES TO FINANCIAL STATEMENTS--Continued

NOTE C--LIQUIDITY

The following reflects the Organization's financial assets as of May 31, 2022, reduced by amounts not available for general use within one year of the financial statement date due to donor-imposed restrictions or internal designations. Amounts available include donor-restricted amounts that are available for general expenditure in the following year. Amounts not available included amounts set aside for operating and other reserves that could be drawn upon if the Board of Directors approves that action.

Financial Assets as of May 31, 2022	\$ 4,320,732
Less those amounts unavailable for general expenditures within one year, due to:	
Donor-restricted cash	(6,296)
Donor-restricted contribution receivable	<u>(56,156)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,258,280</u>

NOTE D--CASH AND CASH EQUIVALENTS

Cash and cash equivalents are stated at cost plus accrued interest, which approximates market. Cash and cash equivalents consist of the following as of May 31:

	<u>2022</u>	<u>2021</u>
Cash	\$ 4,030,416	\$ 446,388
Money market accounts (cash equivalents)	88,631	884,545
Total	<u>\$ 4,119,047</u>	<u>\$ 1,330,933</u>

NOTE E--INVESTMENTS

The Organization invests in common stocks. Investments are summarized as follows as of May 31,:

	<u>2022</u>	<u>2021</u>
Common stock, measured at fair value	<u>\$ 51,651</u>	<u>\$ 45,059</u>

PAPANICOLAOU CORPS FOR CANCER RESEARCH, INC. D/B/A THE PAP CORPS

NOTES TO FINANCIAL STATEMENTS--Continued

NOTE F--FAIR VALUE MEASUREMENTS

In accordance with GAAP, the Organization defines fair value as the price that would be received to sell an asset, or the price paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Organization. Unobservable inputs are inputs that reflect the Organization's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

Level 1 inputs are quoted prices in active markets for identical assets or liabilities.

Level 2 inputs are observable inputs other than quoted prices included in *Level 1* that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets, quoted prices in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs derived from observable market data.

Level 3 inputs are inputs that reflect the entity's own assumptions about the market price of an asset or liability. Unobservable inputs may be used if there is little or no market data for the asset or liability at the measurement date.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

A description of the valuation methodology used for assets measured at fair value, is as follows:

Common stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

PAPANICOLAOU CORPS FOR CANCER RESEARCH, INC. D/B/A THE PAP CORPS

NOTES TO FINANCIAL STATEMENTS--Continued

NOTE F--FAIR VALUE MEASUREMENTS---Continued

Fair value measurements and the fair value hierarchy level for the Organization's assets as of May 31, 2022 and 2021, are shown below:

	Assets at Fair Value as of May 31, 2022			
	Level 1	Level 2	Level 3	Total
Common Stocks:				
Energy	\$ 31,093	\$ -	\$ -	\$ 31,093
Technology	18,391	-	-	18,391
Financial Services	2,167	-	-	2,167
Assets at fair value	<u>\$ 51,651</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,651</u>

	Assets at Fair Value as of May 31, 2021			
	Level 1	Level 2	Level 3	Total
Common Stocks:				
Energy	\$ 24,709	\$ -	\$ -	\$ 24,709
Technology	18,390	-	-	18,390
Financial Services	1,960	-	-	1,960
Assets at fair value	<u>\$ 45,059</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,059</u>

NOTE G--PLEDGES RECEIVABLE

Unconditional promises to give as of May 31, 2022, net of the allowance for uncollectible amounts and unamortized discounts, consist of the following:

<u>Pledges, net</u>	
Collectible within 1 year	\$ 20,455
Collectible within 1 year to 5 years	<u>78,292</u>
	<u>\$ 98,747</u>
<u>Other, net</u>	
Collectible within 1 year	\$ 51,287

PAPANICOLAOU CORPS FOR CANCER RESEARCH, INC. D/B/A THE PAP CORPS

NOTES TO FINANCIAL STATEMENTS--Continued

NOTE H--PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consisted of the following as of May 31,:

	<u>2022</u>	<u>2021</u>
Furniture, fixtures, and equipment	\$ 6,725	\$ 6,725
Less: accumulated depreciation	<u>(6,725)</u>	<u>(5,604)</u>
Total	<u>\$ -</u>	<u>\$ 1,121</u>

Depreciation expense for each of the fiscal years ended May 31, 2022 and 2021 totaled approximately \$1,000. There were no disposals during the fiscal years ended May 31, 2022 and 2021.

NOTE I--TAX STATUS

The Organization is exempt (except for unrelated business income) from Federal income taxes under Section 501(c)(3) of the United States Internal Revenue Code. The Organization had no components of unrelated business income for the fiscal year ended May 31, 2022. The Organization accounts for uncertainty in income taxes in accordance with GAAP, which requires recognition in the financial statements of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. The Organization had no material unrecognized tax benefits and no adjustments to its financial position, activities, functional expenses, or cash flows were required as of May 31, 2022. The Organization does not expect that unrecognized tax benefits will increase within the next twelve months. The Organization's tax returns for the fiscal years ended May 31, 2019 through 2022 remain subject to examination by major tax jurisdictions. The Organization recognizes accrued interest and penalties, if any, related to uncertain tax positions as income tax expense.

PAPANICOLAOU CORPS FOR CANCER RESEARCH, INC. D/B/A THE PAP CORPS

NOTES TO FINANCIAL STATEMENTS--Continued

NOTE J--COMMITMENTS AND CONTINGENCIES

Litigation: From time to time, the Organization may be involved in various asserted claims and legal proceedings arising in the ordinary course of business, some of which may involve claims for substantial amounts. Management provides provisions for these items to the extent that the losses are deemed both probable and reasonably estimable. No provisions were required for the fiscal years ended May 31, 2022 and 2021.

NOTE K--IN-KIND

The Organization's corporate offices are located in certain property that is leased by an unrelated third party (the "In-Kind Donor"). The rent associated with this property is paid directly by the In-Kind Donor and the Organization records the related amounts paid by the In-Kind Donor as in-kind contributions, along with the corresponding rent expenses. The value of the remaining lease is reflected as other contribution receivable of approximately \$51,000 and \$120,000 as of May 31, 2022 and 2021, respectively, net of the unamortized discount value calculated using an effective rate of 3%. The value of the remaining lease is reflected within net assets with donor restrictions and is being recognized over the life of the leased office space (through March 2023). During the fiscal years ended May 31, 2022 and 2021, the Organization recorded in-kind rent expenses amounting to a total of approximately \$75,000 related to these activities. These amounts are presented in the accompanying statements of activities as components of other support and management and general expenses. The Organization receives certain donations of goods and services for the purpose of offering raffle and auction rewards for events hosted by the Organization. Such donations were not significant to the Organization for the years ended May 31, 2022 and 2021.

NOTE L--PAYCHECK PROTECTION PROGRAM LOAN PAYABLE

On April 15, 2020, the Organization entered into a Paycheck Protection Program Term Note (the "PPP Note") with a financial institution in the amount of \$170,800, issued pursuant to the Coronavirus Aid, Relief, and Economic Security Act's (the "CARES Act") Paycheck Protection Program ("PPP"). The PPP Note bears interest at 1% per annum and matures April 15, 2022. The Organization accounted for the PPP Note under the debt model in accordance with ASC Topic 470. The Organization may apply for forgiveness of a portion or the entire balance of the PPP Note based on eligible costs incurred during the covered period following the disbursement of funds by the financial institution.

PAPANICOLAOU CORPS FOR CANCER RESEARCH, INC. D/B/A THE PAP CORPS

NOTES TO FINANCIAL STATEMENTS--Continued

NOTE L--PAYCHECK PROTECTION PROGRAM LOAN PAYABLE--Continued

The amount of loan forgiveness is calculated in accordance with the requirements of the Paycheck Protection Program, including certain provisions, rules, and regulations of the CARES Act. As a result of the Organization's request for loan forgiveness, on May 21, 2021, the outstanding principal and accrued interest for the PPP Note were forgiven in full by the Small Business Administration ("SBA") and the SBA repaid the financial institution. The Organization was legally released from being the primary obligor when the SBA repaid the Organization's PPP Note to the financial institution.

On March 4, 2021, the Organization entered into a second paycheck protection program loan for \$75,000 under the terms of the CARES Act ("PPP Note Two"). PPP Note Two is due on March 4, 2026 with payments on the loan due 10 months after March 4, 2021 and due in equal installments thereafter. Interest on PPP Note Two is 1.00% per annum. The loan amount can be fully or partially forgiven if the Organization is in compliance with the PPP loan forgiveness provisions as defined by the CARES Act. As a result of the Organization's request for loan forgiveness, on November 24, 2021, the outstanding principal and accrued interest for the PPP Note Two were forgiven in full by the SBA and the SBA repaid the financial institution. The Organization was legally released from being the primary obligor when the SBA repaid the PPP Note 2 to the financial institution.

The Organization recognized a gain related to the PPP Note and a PPP Note Two forgiveness amounting to approximately \$170,800 and \$75,000 and is included as a component of other income in the statements of activities for the fiscal years ended May 31, 2021 and 2022, respectively.

NOTE M--EMPLOYEE BENEFIT PLAN

The Organization offers its employees a 401(k) plan (the "Plan") covering substantially all employees who have completed two months of service with the Organization and are 21 years of age or older.

Employees may contribute up to 100% of their annual compensation, as defined in the Plan, subject to the maximum allowable contribution limit established by IRS regulations. The Organization provides 100% matching of employee contributions up to a maximum of 4% of the employee's gross earnings. For the fiscal years ended May 31, 2022 and 2021, the Organization contributed approximately \$11,000 and \$8,000, respectively, to the Plan.

PAPANICOLAOU CORPS FOR CANCER RESEARCH, INC. D/B/A THE PAP CORPS

NOTES TO FINANCIAL STATEMENTS--Continued

NOTE N--CONCENTRATIONS OF CREDIT RISK

Financial instruments, which potentially subject the Organization to significant concentrations of credit risk, consist principally of cash, cash equivalents, investment securities and pledges receivable. To date, no losses have been incurred on any of the Organization's cash, cash equivalents or investment securities.

From time to time, the Organization maintains its cash and cash equivalents in accounts at financial institutions that exceed the Federal Deposit Insurance Corporation ("FDIC") limits. Balances are insured by the FDIC up to \$250,000 per depositor at each financial institution. As of May 31, 2022 and 2021, the amounts on deposit in these accounts exceeded the FDIC limits by approximately \$3,866,000 and \$2,566,000, respectively.

Concentrations of credit risk with respect to pledges receivable are limited due to the Organization's large number of donors. The Organization maintains allowances for potential credit losses. Actual losses incurred have historically been within management's expectations and estimates.

NOTE O--RESTRICTIONS AND DESIGNATIONS ON NET ASSETS (DEFICIT)

Net assets with and without donor restrictions consist of the following balances at May 31:

	<u>2022</u>	<u>2021</u>
Total net assets (deficit) without donor restrictions	\$(19,206,821)	\$(21,145,797)
Amounts restricted by time or purpose:		
Time – in-kind rent (Note K)	51,287	119,670
Program	<u>6,296</u>	<u>5,944</u>
Total net assets with donor restrictions	<u>57,583</u>	<u>125,614</u>
Total net assets (deficit)	<u><u>\$(19,149,238)</u></u>	<u><u>\$(21,020,183)</u></u>

PAPANICOLAOU CORPS FOR CANCER RESEARCH, INC. D/B/A THE PAP CORPS

NOTES TO FINANCIAL STATEMENTS--Continued

NOTE P--LINE OF CREDIT

In June 2019, the Organization executed a loan agreement (the "LOC Agreement") with a bank which provides for a revolving line of credit of \$300,000. The LOC Agreement is collateralized by all inventory, equipment, and cash of the Organization. The LOC Agreement bears interest at the Wall Street Journal Prime Rate (4% and 3.25% at May 31, 2022 and 2021) plus .5%. The Organization had no draws outstanding against the LOC Agreement as of May 31, 2022 and 2021. The LOC Agreement matured on June 12, 2022 and was not renewed.

NOTE Q--SUBSEQUENT EVENT

On January 13, 2023, the Organization agreed to make a gift of \$5,000,000 to the Sylvester Comprehensive Cancer Center, to be allocated to the Transformational Cancer Research Building Fund. The gift is payable over 5 years in annual installments of \$1,000,000, with the first payment made in June 30, 2023.