

Walther Cancer Foundation, Inc.

Independent Auditor's Report and Financial Statements

June 30, 2021 and 2020

(Income Tax Basis)

Walther Cancer Foundation, Inc.

June 30, 2021 and 2020

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Independent Auditors Report

Board of Directors
Walther Cancer Foundation, Inc.
Indianapolis, Indiana

We have audited the accompanying income tax basis financial statements of Walther Cancer Foundation, Inc. (Foundation), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and expenses for the years then ended, and the related notes to the financial statements.

Managements Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting the Foundation uses for income tax purposes described in Note 1; this includes determining that the income tax basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditors Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Walther Cancer Foundation, Inc. as of June 30, 2021 and 2020, and the changes in its net assets for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the basis of accounting the Foundation uses for income tax purposes, which is a basis of accounting other than the accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

BKD, LLP

Indianapolis, Indiana
November 9, 2021

Walther Cancer Foundation, Inc.
Statements of Financial Position
June 30, 2021 and 2020
(Income Tax Basis)

Assets

	2021	2020
Cash and cash equivalents	\$ 3,328,368	\$ 1,877,011
Interest receivable on investments	80,262	86,626
Investments	168,831,496	142,790,676
Property and equipment, net of accumulated depreciation of \$360,751 and \$332,865	102,996	130,882
Total assets	\$ 172,343,122	\$ 144,885,195

Liabilities

Deferred net investment earnings	\$ 2,672,933	\$ 70,389
Accrued expenses	2,106	14,742
Total liabilities	2,675,039	85,131

Net Assets

Without donor restrictions	169,668,083	144,800,064
Total liabilities and net assets	\$ 172,343,122	\$ 144,885,195

Walther Cancer Foundation, Inc.
Statements of Activities
Years Ended June 30, 2021 and 2020
(Income Tax Basis)

	2021	2020
Change in Net Assets Without Donor Restrictions		
Revenues		
Interest and dividends	\$ 1,145,640	\$ 1,322,511
Net unrealized gains on investments	27,196,403	4,067,170
Net realized gains on sales of investments	5,510,561	2,465,413
Other investment income (losses)	(244,559)	142,983
	33,608,045	7,998,077
Less: investment expenses	(1,299,847)	(1,104,697)
Total investment income	32,308,198	6,893,380
Contributions and other revenue	9,458	72,432
Total revenues	32,317,656	6,965,812
Expenses		
Grants	6,864,043	7,034,920
Taxes paid	38,495	44,333
Operating expenses		
Salary and related benefits	252,689	245,063
Legal, accounting and other professional fees	15,941	15,253
Consulting	153,600	153,600
Risk management	12,521	11,572
Occupancy and utilities	66,075	66,810
Office and other	46,273	64,879
Total operating expenses	547,099	557,177
Total expenses	7,449,637	7,636,430
Total Change in Net Assets	24,868,019	(670,618)
Net Assets, Beginning of Year	144,800,064	145,470,682
Net Assets, End of Year	\$ 169,668,083	\$ 144,800,064

Walther Cancer Foundation, Inc.
Statements of Expenses
Years Ended June 30, 2021 and 2020
(Income Tax Basis)

	2021		
	Program	General and Administrative	Total
Salaries	\$ 95,639	\$ 75,120	\$ 170,759
Benefits	39,036	30,660	69,696
FICA	6,852	5,382	12,234
Legal, accounting and other professional fees	10,899	5,042	15,941
Consulting	129,600	24,000	153,600
Risk management	8,695	3,826	12,521
Building rent	26,004	11,443	37,447
Depreciation and amortization	12,828	5,645	18,473
Utilities	7,052	3,103	10,155
Office expenses	3,703	1,630	5,333
Software fees and maintenance	31,465	6,972	38,437
Meetings, conferences and travel	119	159	278
Dues and subscriptions	1,511	665	2,176
Other	34	15	49
Total operating expenses	<u>373,437</u>	<u>173,662</u>	<u>547,099</u>
Grant expense	6,864,043	-	6,864,043
Taxes paid	38,495	-	38,495
Total expenses	<u>\$ 7,275,975</u>	<u>\$ 173,662</u>	<u>\$ 7,449,637</u>
	2020		
	Program	General and Administrative	Total
Salaries	\$ 90,990	\$ 71,448	\$ 162,438
Benefits	39,812	31,261	71,073
FICA	6,471	5,081	11,552
Legal, accounting and other professional fees	10,109	5,144	15,253
Consulting	129,600	24,000	153,600
Risk management	8,077	3,495	11,572
Building rent	25,755	11,144	36,899
Depreciation and amortization	12,949	5,602	18,551
Utilities	7,929	3,431	11,360
Office expenses	8,335	3,606	11,941
Software fees and maintenance	31,292	6,780	38,072
Meetings, conferences and travel	8,123	1,534	9,657
Dues and subscriptions	3,137	1,357	4,494
Other	499	216	715
Total operating expenses	<u>383,078</u>	<u>174,099</u>	<u>557,177</u>
Grant expense	7,034,920	-	7,034,920
Taxes paid	44,333	-	44,333
Total expenses	<u>\$ 7,462,331</u>	<u>\$ 174,099</u>	<u>\$ 7,636,430</u>

Walther Cancer Foundation, Inc.

Notes to Financial Statements June 30, 2021 and 2020 (Income Tax Basis)

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

General

Walther Cancer Foundation, Inc. (Foundation) is an independent, private grantmaking foundation that funds cancer research with two primary goals: to support cancer research with the aim of discovering better treatments, if not cures, and to develop a comprehensive approach for supporting patients with cancer and their families. The Foundation is particularly interested in supporting efforts to strengthen cancer research infrastructures in the state of Indiana. The Foundation's primary sources of support and revenue is investment earnings.

Use of Estimates

The preparation of financial statements in conformity with the income tax basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the financial statements and the reported amounts of the revenues, expenses and other changes in net assets during the reporting period.

Basis of Accounting

The Foundation prepares its financial statements using the income tax basis of accounting. The principle differences between the income tax basis of accounting and accounting principles generally accepted in the United States of America (GAAP) for the Foundation is that grants are recognized as expenses when paid rather than at the time of approval and income or loss allocations from U.S. partnerships are recognized on a calendar year basis as reported on the partnership K-1 tax forms. Therefore, certain income or loss allocations occurring between January 1 and June 30 each year are recorded as deferred income or loss. In addition, investments are carried at fair market value as defined within the Internal Revenue guidelines. Therefore, the Foundation has omitted disclosure of recurring fair value measurements based on the fair value hierarchy under GAAP.

Investments and Investment Return

The Foundation's investments consist of fixed income and equity securities, mutual funds and alternative investments. Alternative investments include realty funds, marketable alternatives, energy partnerships, commodities and private equity partnerships. Investment return includes dividends, interest and realized and unrealized gains and losses on investments carried at fair market value.

Walther Cancer Foundation, Inc.

Notes to Financial Statements June 30, 2021 and 2020 (Income Tax Basis)

Investments in equity securities and in debt securities are carried at their readily determinable fair market value. Alternative investments are also carried at estimated fair market value. For those alternative investments that do not have readily ascertainable market values, the estimated fair market value has been provided by management of the funds. These estimated values are subject to uncertainty, and therefore, may differ significantly from the value that would have been used had a market for such investments existed. The estimated fair market value is in accordance with Internal Revenue guidelines and is the price that property would sell for on the open market. It is the price that would be agreed on between a willing buyer and a willing seller, with neither being required to act, and both having reasonable knowledge of the relevant facts.

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

Investment return (including realized and unrealized gains and losses on investments), net of fees, is included in the statements of activities. Investments are managed by professional investment managers in accordance with the Foundation's investment policies.

Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and a similar provision of state law. The Foundation has been classified as a private foundation under Section 509(a) of the Internal Revenue Code, therefore, is subject to federal excise tax on net investment income. The Foundation is also subject to federal and state taxes on unrelated business income.

Property and Equipment

Property and equipment is carried at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated initial useful lives of the assets. Estimated useful lives are 5 years for equipment, and range from 10 to 20 years for furniture. Leasehold improvements are amortized over the lesser of the estimated useful life or the lease term. The Foundation's capitalization policy states that property and equipment in excess of \$3,000 are capitalized. Routine maintenance and repairs are expensed as incurred.

Walther Cancer Foundation, Inc.

Notes to Financial Statements June 30, 2021 and 2020 (Income Tax Basis)

Contributions

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

Nature of the Gift	Value Recognized
<i>Conditional Gifts, With or Without Restriction</i>	
Gifts that depend on the Foundation overcoming a donor imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> the donor imposed barrier is met
<i>Unconditional Gifts, With or Without Restriction</i>	
Received at date of gift - cash and other assets	Fair value

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

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

Grants

Grants are recorded when paid. The Foundation has approximately \$36,077,000 of grant commitments awarded that have not yet been paid at June 30, 2021.

Expense Allocation

The costs of supporting programs and other activities have been summarized on a functional basis in the statements of activities. The statements of expenses present the classification detail of expenses by function. Expenses have been classified as programs services or management and general based on the actual direct expenditures and using cost allocations based upon estimates of time spent by Foundation personnel. External and direct internal investment expenses are reported as an offset against gross investment earnings within the statements of activities.

Subsequent Events

Subsequent events have been evaluated through November 9, 2021, which is the date the financial statements were available to be issued.

Walther Cancer Foundation, Inc.

Notes to Financial Statements June 30, 2021 and 2020 (Income Tax Basis)

Note 2: Investments

The Foundation's investments are managed by professional investment managers, and the Foundation also utilizes the services of an investment advisor. The fair market value of approximately 53% and 56% of investments at June 30, 2021 and 2020, respectively, were provided by the fund managers.

The Foundation has adopted investment and spending policies that attempt to provide for long-term growth without undue exposure to risk, while providing an income stream to cover administrative expenses and cash flow for research grants.

The Foundation recognizes that prudent investing requires the assumption of reasonable risk in order to increase the likelihood of achieving the desired investment performance. The Foundation believes the asset allocation targets and ranges it has adopted best suit its diversification and risk requirements. The Foundation understands that this strategy could produce an after-fee loss in a given year.

At June 30, 2021 and 2020, the fair market value of the Foundation's investments are comprised of:

	<u>2021</u>	<u>2020</u>
U.S. government obligations	\$ 152,484	\$ -
U.S. government agency obligations	7,363,026	8,669,865
Corporate obligations	2,311,194	2,212,466
Municipal obligations	2,883,714	1,533,652
Equities	24,721,008	17,573,646
Exchange traded funds - Gold	3,722,866	3,761,975
Mutual funds		
Equity	26,781,234	24,706,020
Fixed income	9,288,672	3,281,267
Limited partnerships		
Equities	19,973,442	16,809,297
Private equity	26,325,974	16,622,149
Real assets	11,885,571	12,097,453
Hedge funds		
Distressed	4,803,661	5,909,995
Long/short equity	18,236,110	16,566,375
Absolute return	10,382,540	13,046,516
Total	<u>\$ 168,831,496</u>	<u>\$ 142,790,676</u>

Under the terms of certain limited partnership agreements for private equity, real asset and hedge funds, the Foundation is obligated to remit additional funding periodically as capital calls are exercised. At June 30, 2021, the Foundation had unfunded capital commitments totaling approximately \$13,787,000. Such commitments are generally called over a period of years and contain fixed expiration dates or other termination clauses. The Foundation maintains sufficient liquidity in its investment portfolio to cover such calls.

Walther Cancer Foundation, Inc.

Notes to Financial Statements June 30, 2021 and 2020 (Income Tax Basis)

Note 3: Property and Equipment

The Foundation's property and equipment at June 30, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Furniture and equipment	\$ 153,091	\$ 153,091
Leasehold improvements	310,656	310,656
	<u>463,747</u>	<u>463,747</u>
Less: accumulated depreciation	<u>(360,751)</u>	<u>(332,865)</u>
	<u>\$ 102,996</u>	<u>\$ 130,882</u>

Note 4: Defined-Contribution Plan

During 2018, the Foundation terminated the Foundation sponsored defined-contribution 403(b) tax deferred annuity plan and opened a 401(k) plan for all eligible employees. Defined-contribution plan expenses were \$38,093 and \$36,234 during 2021 and 2020, respectively.

Note 5: Qualifying Distributions

Qualifying distributions made during the years ended June 30, 2021 and 2020 include:

	<u>2021</u>	<u>2020</u>
Grants paid	\$ 6,864,043	\$ 7,034,920
Operating and administrative expenses	<u>529,283</u>	<u>539,225</u>
Total qualifying distributions	<u>\$ 7,393,326</u>	<u>\$ 7,574,145</u>

Note 6: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor restrictions or other restrictions limiting their use, within one year of June 30, 2021 and 2020, comprise the following:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 3,328,368	\$ 1,877,011
Interest receivable on investments	80,262	86,626
Redeemable investments	<u>125,836,237</u>	<u>110,314,622</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 129,244,867</u>	<u>\$ 112,278,259</u>

Walther Cancer Foundation, Inc.

Notes to Financial Statements June 30, 2021 and 2020 (Income Tax Basis)

The Foundation manages its liquidity following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and seeking long-term growth sufficient to preserve and enhance the purchasing power of the assets and meet spending needs. The Foundation's investment policy allows for a maximum allocation to illiquid holdings of 30% of the investment portfolio, with illiquidity defined as money that is accessible beyond one year. To achieve these targets, the Foundation forecasts its future cash flows and monitors its liquidity quarterly. During the years ended June 30, 2021 and 2020, the level of liquidity was within the policy requirements.

Note 7: Other Discrete Event

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position, change in net assets and cash flows of the Foundation. The duration of these uncertainties and ultimate financial effects cannot be reasonably estimated at this time, but possible effects could include material adjustments or changes in valuation of the Foundation's investment holdings.