



Walther Cancer Foundation, Inc.

Independent Auditor's Report and Financial Statements

June 30, 2023 and 2022

(Income Tax Basis)



Walther Cancer Foundation, Inc.

June 30, 2023 and 2022

Contents

Independent Auditor's Report.....	1
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Financial Statements - Income Tax Basis

Statements of Financial Position	3
Statements of Activities.....	4
Statements of Expenses	5
Notes to Financial Statements	6

Independent Auditor's Report

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

Opinion

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, 2023 and 2022, and the related statements of activities and expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Walther Cancer Foundation, Inc. as of June 30, 2023 and 2022, and the changes in its net assets for the years then ended in accordance with the basis of accounting the Foundation uses for income tax purposes described in Note 1.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Foundation 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.

Emphasis of Matter – 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 principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the basis of accounting the Foundation uses for income tax purposes and for determining that the income tax basis of accounting is an acceptable basis for presentation 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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation'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 Foundation's ability to continue as a going concern for a reasonable period of time.

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

FORVIS,LLP

Indianapolis, Indiana
November 10, 2023

Walther Cancer Foundation, Inc.
Statements of Financial Position
June 30, 2023 and 2022
(Income Tax Basis)

Assets

	2023	2022
Cash and cash equivalents	\$ 3,188,097	\$ 3,248,244
Interest receivable on investments	119,309	78,078
Deferred net investment losses	-	225,847
Investments	152,714,949	149,941,434
Property and equipment, net of accumulated depreciation of \$404,508 and \$383,803	64,449	79,944
Total assets	\$ 156,086,804	\$ 153,573,547

Liabilities

Deferred net investment earnings	\$ 1,632,520	\$ -
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Net Assets

Without donor restrictions	154,454,284	153,573,547
Total liabilities and net assets	\$ 156,086,804	\$ 153,573,547

Walther Cancer Foundation, Inc.
Statements of Activities
Years Ended June 30, 2023 and 2022
(Income Tax Basis)

	2023	2022
Change in Net Assets Without Donor Restrictions		
Revenues		
Interest and dividends	\$ 1,426,997	\$ 1,171,226
Net unrealized gains (losses) on investments	7,365,686	(16,901,871)
Net realized gains on sales of investments	1,773,878	9,454,549
Other investment losses	(130,822)	(304,877)
	10,435,739	(6,580,973)
Less: investment expenses	(1,468,842)	(1,492,378)
Total investment income	8,966,897	(8,073,351)
Contributions and other revenue	5,113	12,522
Total revenues	8,972,010	(8,060,829)
Expenses		
Grants	7,530,333	7,104,461
Taxes paid	608	308,179
Operating expenses		
Salary and related benefits	233,885	300,986
Legal, accounting and other professional fees	15,816	15,904
Consulting	172,800	172,800
Risk management	12,685	13,529
Occupancy and utilities	66,373	68,999
Office and other	58,773	48,849
Total operating expenses	560,332	621,067
Total expenses	8,091,273	8,033,707
Total Change in Net Assets	880,737	(16,094,536)
Net Assets, Beginning of Year	153,573,547	169,668,083
Net Assets, End of Year	\$ 154,454,284	\$ 153,573,547

Walther Cancer Foundation, Inc.
Statements of Expenses
Years Ended June 30, 2023 and 2022
(Income Tax Basis)

	2023		
	Program	General and Administrative	Total
Salaries	\$ 85,693	\$ 73,518	\$ 159,211
Benefits	34,240	29,375	63,615
FICA	5,952	5,107	11,059
Legal, accounting and other professional fees	10,277	5,539	15,816
Consulting	145,800	27,000	172,800
Risk management	8,845	3,840	12,685
Building rent	32,025	13,907	45,932
Depreciation and amortization	9,329	4,051	13,380
Utilities	4,923	2,138	7,061
Office expenses	4,399	1,910	6,309
Software fees and maintenance	32,729	10,021	42,750
Meetings, conferences and travel	4,195	2,458	6,653
Dues and subscriptions	2,021	878	2,899
Other	113	49	162
Total operating expenses	<u>380,541</u>	<u>179,791</u>	<u>560,332</u>
Grant expense	7,530,333	-	7,530,333
Taxes paid	<u>608</u>	<u>-</u>	<u>608</u>
Total expenses	<u><u>\$ 7,911,482</u></u>	<u><u>\$ 179,791</u></u>	<u><u>\$ 8,091,273</u></u>

	2022		
	Program	General and Administrative	Total
Salaries	\$ 122,501	\$ 83,126	\$ 205,627
Benefits	48,127	32,658	80,785
FICA	8,682	5,892	14,574
Legal, accounting and other professional fees	10,462	5,442	15,904
Consulting	145,800	27,000	172,800
Risk management	9,592	3,937	13,529
Building rent	32,000	13,134	45,134
Depreciation and amortization	11,083	4,549	15,632
Utilities	5,837	2,396	8,233
Office expenses	5,666	2,325	7,991
Software fees and maintenance	25,789	4,173	29,962
Meetings, conferences and travel	4,726	3,507	8,233
Dues and subscriptions	1,888	775	2,663
Total operating expenses	<u>432,153</u>	<u>188,914</u>	<u>621,067</u>
Grant expense	7,104,461	-	7,104,461
Taxes paid	<u>308,179</u>	<u>-</u>	<u>308,179</u>
Total expenses	<u><u>\$ 7,844,793</u></u>	<u><u>\$ 188,914</u></u>	<u><u>\$ 8,033,707</u></u>

Walther Cancer Foundation, Inc.

Notes to Financial Statements June 30, 2023 and 2022 (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 principal 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, 2023 and 2022 (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, 2023 and 2022 (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 \$37,193,000 of grant commitments awarded that have not yet been paid at June 30, 2023. Additionally, the Foundation has a \$10,000,000 to \$15,000,000 conditional grant commitment.

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 program 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 10, 2023, which is the date the financial statements were available to be issued.

Walther Cancer Foundation, Inc.

Notes to Financial Statements June 30, 2023 and 2022 (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 55% of investments at both June 30, 2023 and 2022, 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 and endowment funding commitments.

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, 2023 and 2022, the fair market value of the Foundation's investments are comprised of:

	<u>2023</u>	<u>2022</u>
U.S. government obligations	\$ 925,487	\$ 2,123,719
U.S. government agency obligations	3,530,586	6,210,582
Corporate obligations	4,264,910	1,440,077
Municipal obligations	3,013,753	2,523,677
Equities	18,407,728	18,043,334
Exchange traded funds - Gold	4,005,021	3,785,977
Mutual funds		
Equity	24,827,944	22,544,435
Fixed income	8,807,459	8,797,939
Limited partnerships		
Equities	16,419,046	15,750,061
Private equity	31,163,996	31,100,421
Real assets	12,103,939	11,332,267
Hedge funds		
Distressed	4,529,129	4,601,747
Long/short equity	15,990,553	15,918,750
Absolute return	4,725,398	5,768,448
	<u>\$ 152,714,949</u>	<u>\$ 149,941,434</u>
Total		

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, 2023, the Foundation had unfunded capital commitments totaling approximately \$9,347,000. 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, 2023 and 2022 (Income Tax Basis)

Note 3: Property and Equipment

The Foundation's property and equipment at June 30, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Furniture and equipment	\$ 158,301	\$ 153,091
Leasehold improvements	310,656	310,656
	<u>468,957</u>	<u>463,747</u>
Less: accumulated depreciation	<u>(404,508)</u>	<u>(383,803)</u>
	<u>\$ 64,449</u>	<u>\$ 79,944</u>

Note 4: Defined-Contribution Plan

During 2018, the Foundation opened a 401(k) plan for all eligible employees. Defined-contribution plan expenses were \$38,116 and \$43,471 during 2023 and 2022, respectively.

Note 5: Qualifying Distributions

Qualifying distributions made during the years ended June 30, 2023 and 2022 include:

	<u>2023</u>	<u>2022</u>
Grants paid	\$ 7,530,333	\$ 7,104,461
Operating and administrative expenses	<u>546,949</u>	<u>606,136</u>
Total qualifying distributions	<u>\$ 8,077,282</u>	<u>\$ 7,710,597</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, 2023 and 2022, comprise the following:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 3,188,097	\$ 3,248,244
Interest receivable on investments	119,309	78,078
Redeemable investments	<u>104,917,884</u>	<u>102,926,940</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 108,225,290</u>	<u>\$ 106,253,262</u>

Walther Cancer Foundation, Inc.

Notes to Financial Statements June 30, 2023 and 2022 (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 35% 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, 2023 and 2022, the level of liquidity was within the policy requirements.