




Walther Cancer Foundation, Inc.

Independent Auditor's Report and Financial Statements

June 30, 2024 and 2023
(Income Tax Basis)



Walther Cancer Foundation, Inc.
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June 30, 2024 and 2023

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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, 2024 and 2023, 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, 2024 and 2023, 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 other than 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 Mazars, LLP

**Indianapolis, Indiana
November 12, 2024**

Walther Cancer Foundation, Inc.
Statements of Financial Position
June 30, 2024 and 2023
(Income Tax Basis)

	<u>2024</u>	<u>2023</u>
Assets		
Cash and cash equivalents	\$ 2,454,242	\$ 3,188,097
Interest receivable on investments	171,880	119,309
Investments	158,832,495	152,714,949
Property and equipment, net of accumulated depreciation of \$424,316 and \$404,508	<u>44,641</u>	<u>64,449</u>
Total assets	<u>\$ 161,503,258</u>	<u>\$ 156,086,804</u>
Liabilities		
Deferred net investment earnings	\$ 4,048,323	\$ 1,632,520
Net Assets		
Without donor restrictions	<u>157,454,935</u>	<u>154,454,284</u>
Total liabilities and net assets	<u>\$ 161,503,258</u>	<u>\$ 156,086,804</u>

Walther Cancer Foundation, Inc.
Statements of Activities
Years Ended June 30, 2024 and 2023
(Income Tax Basis)

	<u>2024</u>	<u>2023</u>
Change in Net Assets Without Donor Restrictions		
Revenues		
Interest and dividends	\$ 1,517,033	\$ 1,426,997
Net unrealized gains on investments	7,324,676	7,365,686
Net realized gains on sales of investments	2,196,397	1,773,878
Other investment gains (losses)	1,407,782	(130,822)
	<u>12,445,888</u>	<u>10,435,739</u>
Less: investment expenses	(1,362,260)	(1,468,842)
Total investment income	<u>11,083,628</u>	<u>8,966,897</u>
Contributions and other revenue	7,678	5,113
Total revenues	<u>11,091,306</u>	<u>8,972,010</u>
Expenses		
Grants	<u>7,491,000</u>	<u>7,530,333</u>
Taxes paid	<u>17,396</u>	<u>608</u>
Operating expenses		
Salary and related benefits	249,225	233,885
Legal, accounting and other professional fees	18,137	15,816
Consulting	172,800	172,800
Risk management	13,679	12,685
Occupancy and utilities	73,629	66,373
Office and other	54,789	58,773
Total operating expenses	<u>582,259</u>	<u>560,332</u>
Total expenses	<u>8,090,655</u>	<u>8,091,273</u>
Total Change in Net Assets	3,000,651	880,737
Net Assets, Beginning of Year	<u>154,454,284</u>	<u>153,573,547</u>
Net Assets, End of Year	<u>\$ 157,454,935</u>	<u>\$ 154,454,284</u>

Walther Cancer Foundation, Inc.
Statements of Expenses
Years Ended June 30, 2024 and 2023
(Income Tax Basis)

	2024		
	Program	General and Administrative	Total
Salaries	\$ 90,226	\$ 79,089	\$ 169,315
Benefits	36,043	31,644	67,687
FICA	6,509	5,714	12,223
Legal, accounting and other professional fees	11,593	6,544	18,137
Consulting	145,800	27,000	172,800
Risk management	9,347	4,332	13,679
Building rent	35,325	15,896	51,221
Depreciation and amortization	8,745	3,935	12,680
Utilities	6,709	3,019	9,728
Office expenses	5,595	2,518	8,113
Software fees and maintenance	24,273	6,320	30,593
Meetings, conferences and travel	10,395	2,813	13,208
Dues and subscriptions	1,983	892	2,875
Total operating expenses	<u>392,543</u>	<u>189,716</u>	<u>582,259</u>
Grant expense	7,491,000	-	7,491,000
Taxes paid	<u>17,396</u>	<u>-</u>	<u>17,396</u>
 Total expenses	 <u>\$ 7,900,939</u>	 <u>\$ 189,716</u>	 <u>\$ 8,090,655</u>
	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>\$ 7,911,482</u>	 <u>\$ 179,791</u>	 <u>\$ 8,091,273</u>

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.

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.

Walther Cancer Foundation, Inc.
Notes to Financial Statements
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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.

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 \$30,062,000 of grant commitments awarded that have not yet been paid at June 30, 2024. Additionally, the Foundation has a \$10,000,000 to \$15,000,000 conditional grant commitment.

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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 12, 2024, which is the date the financial statements were available to be issued.

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, 2024 and 2023, 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.

Walther Cancer Foundation, Inc.
Notes to Financial Statements
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At June 30, 2024 and 2023, the fair market value of the Foundation's investments are comprised of:

	<u>2024</u>	<u>2023</u>
U.S. government obligations	\$ 10,003,559	\$ 925,487
U.S. government agency obligations	4,025,970	3,530,586
Corporate obligations	1,808,625	4,264,910
Municipal obligations	2,145,840	3,013,753
Equities	19,462,512	18,407,728
Exchange traded funds - Gold	5,430,936	4,005,021
Mutual funds		
Equity	23,982,804	24,827,944
Fixed income	3,840,437	8,807,459
Fixed income - Private credit	5,052,582	-
Limited partnerships		
Equities	15,271,300	16,419,046
Private equity	31,548,837	31,163,996
Real assets	13,054,394	12,103,939
Hedge funds		
Distressed	5,526,328	4,529,129
Long/short equity	17,423,253	15,990,553
Absolute return	255,118	4,725,398
	<u> </u>	<u> </u>
Total	<u>\$ 158,832,495</u>	<u>\$ 152,714,949</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, 2024, the Foundation had unfunded capital commitments totaling approximately \$7,329,000. 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.

Note 3. Property and Equipment

The Foundation's property and equipment at June 30, 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>
Furniture and equipment	\$ 158,301	\$ 158,301
Leasehold improvements	310,656	310,656
	<u>468,957</u>	<u>468,957</u>
Less: accumulated depreciation	<u>(424,316)</u>	<u>(404,508)</u>
	<u>\$ 44,641</u>	<u>\$ 64,449</u>

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Note 4. Defined-Contribution Plan

During 2018, the Foundation opened a 401(k) plan for all eligible employees. Defined-contribution plan expenses were \$40,783 and \$38,116 during 2024 and 2023, respectively.

Note 5. Qualifying Distributions

Qualifying distributions made during the years ended June 30, 2024 and 2023 include:

	<u>2024</u>	<u>2023</u>
Grants paid	\$ 7,491,000	\$ 7,530,333
Operating and administrative expenses	569,578	546,949
Total qualifying distributions	<u>\$ 8,060,578</u>	<u>\$ 8,077,282</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, 2024 and 2023, comprise the following:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 2,454,242	\$ 3,188,097
Interest receivable on investments	171,880	119,309
Redeemable investments	108,702,936	104,917,884
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 111,329,058</u>	<u>\$ 108,225,290</u>

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, 2024 and 2023, the level of liquidity was within the policy requirements.