

# **Western States Cancer Research NCORP**

Financial Statements and Independent Auditor's Report  
July 31, 2021 and 2020

## WESTERN STATES CANCER RESEARCH NCORP

### TABLE OF CONTENTS

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	<b>Page</b>
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS AS OF JULY 31, 2021 AND 2020 AND FOR THE YEARS THEN ENDED:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7-17
Federal Awards:	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	18-19
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance	20-21
Supplemental Schedule of Expenditures of Federal Awards	22
Notes to the Schedule of Expenditures of Federal Awards	23
Schedule of Findings and Questioned Costs	24-25



To the Board of Directors of  
Western States Cancer Research NCORP  
Denver, Colorado

## **INDEPENDENT AUDITOR'S REPORT**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Western States Cancer Research NCORP (a nonprofit organization), which comprise the statements of financial position as of July 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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.

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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 Western States Cancer Research NCORP as of July 31, 2021 and 2020, 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.

## **Other Matters**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, on page 21, is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2022 on our consideration of Western States Cancer Research NCORP's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Western States Cancer Research NCORP's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Western States Cancer Research NCORP's internal control over financial reporting and compliance.

*Artesian CPA, LLC*

### **Artesian CPA, LLC**

Denver, Colorado

January 8, 2022

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**WESTERN STATES CANCER RESEARCH NCORP**  
**STATEMENTS OF FINANCIAL POSITION**  
**As of July 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 137,545	\$ 452,488
Accounts receivable, net of allowance of \$12,008	93,084	83,954
Investments	1,767,655	1,554,795
Donated assets for sale	15,180	15,180
Prepaid expenses	51,394	48,040
Total Current Assets	<u>2,064,858</u>	<u>2,154,457</u>
NonCurrent Assets:		
Property and Equipment, net	43,061	42,785
Beneficial Interest in asset held in trust	84,039	72,060
Total NonCurrent assets	<u>127,100</u>	<u>114,845</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 2,191,958</u></u>	<u><u>\$ 2,269,302</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable	\$ 48,311	\$ 101,293
Accrued expenses	82,834	56,465
Capital lease -current portion	4,578	3,428
Notes payable -current portion	-	119,623
Total Current Liabilities	<u>135,723</u>	<u>280,809</u>
Long-Term Liabilities:		
Capital lease - net of current portion	8,022	7,646
Deferred rent	17,515	16,565
Notes payable -current portion	-	118,877
Total Long-Term Liabilities	<u>25,537</u>	<u>143,088</u>
<b>TOTAL LIABILITIES</b>	<u><u>161,260</u></u>	<u><u>423,897</u></u>
Net Assets:		
Without donor restrictions	1,820,114	1,646,800
With donor restrictions	210,584	198,605
Total Net Assets	<u>2,030,698</u>	<u>1,845,405</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 2,191,958</u></u>	<u><u>\$ 2,269,302</u></u>

See Independent Auditor's Report and accompanying notes, which are an integral part of these financial statements.

**WESTERN STATES CANCER RESEARCH NCORP**  
**STATEMENTS OF ACTIVITIES**  
**For the years ended July 31, 2021 and 2020**

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating Activities:				
Government contracts	\$ 1,020,813	\$ -	\$ 1,020,813	1,214,086
Research studies	110,943	-	110,943	80,586
Contributions	93,039	-	93,039	143,736
Consortium member income	246,105	-	246,105	341,269
Change in value of perpetual interest	-	-	-	(197)
In-kind contributions	39,891	-	39,891	11,636
Special events				
Less: direct benefit to donors	24,209	-	24,209	4,576
Total Revenues and Support	1,535,000	-	1,535,000	1,795,692
Expenses:				
Program services	1,749,126	-	1,749,126	1,769,988
Supporting services:				
Management and general	567	-	567	25,000
Fundraising	78,719	-	78,719	99,351
Total Expenses	1,828,412	-	1,828,412	1,894,339
Change in net assets from operating activities	(293,412)	-	(293,412)	(98,647)
Nonoperating Activities:				
PPP loan forgiveness	238,500	-	238,500	-
Realized gain	32,247	-	32,247	57,213
Unrealized gain	137,810	11,979	149,789	(40,102)
Interest and dividends	58,495	-	58,495	57,034
Interest expense	(326)	-	(326)	(419)
Change in net assets from nonoperating activities	466,726	11,979	478,705	73,726
Changes in net assets	173,314	11,979	185,293	(24,921)
Net assets at beginning of year	1,646,800	198,605	1,845,405	1,870,326
Net assets at end of year	\$ 1,820,114	\$ 210,584	\$ 2,030,698	\$ 1,845,405

See Independent Auditor's Report and accompanying notes, which are an integral part of these financial statements.

**WESTERN STATES CANCER RESEARCH NCORP**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
For the years ended July 31, 2021 and 2020

	2021			2020	
	Program	Supporting Services		Total	
	Clinical Trials	Management and General	Fundraising	Expenses	
Salaries, taxes and benefits	\$ 1,314,312	\$ 296	\$ 69,853	\$ 1,384,461	\$ 1,378,155
Office administration expense	115,367	183	7,027	122,577	96,518
Rental expenses	89,852	-	-	89,852	91,671
Consortium expenses	87,593	-	-	87,593	131,222
Professional services	55,024	-	1,588	56,612	37,772
In-kind contributions	39,891	-	-	39,891	11,636
Research study expenses	25,634	-	-	25,634	72,296
Depreciation and amortization	17,747	-	-	17,747	17,057
Travel expenses	3,662	-	251	3,913	8,993
Community engagement	44	88	-	132	526
Affiliate support	-	-	-	-	21,933
Board expenses	-	-	-	-	20,629
Loss on disposal of assets	-	-	-	-	3,043
Bad debt expenses	-	-	-	-	2,888
	<u>\$ 1,749,126</u>	<u>\$ 567</u>	<u>\$ 78,719</u>	<u>\$ 1,828,412</u>	<u>\$ 1,894,339</u>

See Independent Auditor's Report and accompanying notes, which are an integral part of these financial statements.

**WESTERN STATES CANCER RESEARCH NCORP**  
**STATEMENTS OF CASH FLOWS**  
**For the years ended July 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 185,293	(24,921)
Adjustments to reconcile changes in net assets to net cash (used in)/provided by operating activities:		
Depreciation	17,747	17,057
Unrealized gain on investments	(149,789)	(16,914)
Investment management fees	15,247	-
PPP loan forgiveness	(238,500)	-
Loss on disposal of assets	-	3,043
Change in beneficial interest	-	197
Change in operating assets and liabilities:		
Change in accounts receivable	(9,130)	(13,873)
Change in inventory	-	(3,200)
Change in prepaid expenses	(3,354)	(7,172)
Change in accounts payable	(52,982)	65,319
Change in accrued liabilities	26,369	(4,367)
Change in deferred revenue	-	(9,476)
Change in deferred rent	950	16,565
Net cash (used in)/provided by operating activities	<u>(208,149)</u>	<u>22,258</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Reinvested dividends, net of fees	(58,427)	-
Purchase of investments	(431,213)	(44,150)
Proceeds from sales of investments	399,344	126,512
Purchases of property and equipment	(12,009)	(2,634)
Net cash (used in)/provided by investing activities	<u>(102,305)</u>	<u>79,728</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from PPP Loan	-	238,500
Principal payments on capital lease payable	(4,489)	(3,365)
Net cash (used in)/provided by financing activities	<u>(4,489)</u>	<u>235,135</u>
Net increase/(decrease) in cash and cash equivalents	(314,943)	337,121
Cash and cash equivalents at beginning of year	452,488	115,367
Cash and cash equivalents at end of year	<u>\$ 137,545</u>	<u>\$ 452,488</u>

See Independent Auditor's Report and accompanying notes, which are an integral part of these financial statements.



# WESTERN STATES CANCER RESEARCH NCORP

## NOTES TO FINANCIAL STATEMENTS

As of July 31, 2021 and 2020 and the years then ended

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### NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

#### Nature of Activities

Western States Cancer Research NCORP (the “Organization”) is a not-for-profit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Formerly known as Colorado Cancer Research Program, the Organization was established in 1988. Our goal is to give access to national cancer control, prevention and treatment trials to our hospitals, physicians and patients in our communities throughout Colorado and other western states. Our mission is to find cures for cancers through research. Yesterday's trials provided knowledge that is today's standard of care and today's trials will provide knowledge for improved quality of life for cancer patients and their families and ultimately, a cure.

#### Reporting Period

Effective June 1, 2019, the Organization changed its reporting period from a May 31<sup>st</sup> year end to a July 31<sup>st</sup> year end.

#### Financial Statement Presentation

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). The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) “Audit and Accounting Guide for Not-for-Profit Organizations” (the “Guide”). Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

#### Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization’s board may designate assets without restrictions for specific operational purposes from time to time.

#### Net Assets With Donor Restrictions

Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

See accompanying Independent Auditor’s Report

# WESTERN STATES CANCER RESEARCH NCORP

## NOTES TO FINANCIAL STATEMENTS

As of July 31, 2021 and 2020 and the years then ended

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### Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less, except those designated for long-term purposes, to be cash equivalents. The Organization holds cash and cash equivalents with FDIC insured banks. Management believes that credit risk related to cash balances and investments are minimal. The Organization has not experienced any losses in such accounts and believes it is not exposed to any such significant credit risk on cash and cash equivalents. There were \$0 and \$81,186 of uninsured cash balances as of July 31, 2021 and 2020, respectively.

### Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to an allowance for doubtful accounts based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to accounts receivable.

### Investments

Investments in marketable securities and debt securities are reported at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

### Property and Equipment

Property and equipment is stated at acquisition cost or fair market value at the contribution date. Depreciation and amortization are computed using the straight-line method over the following estimated useful lives of the assets:

Furniture and equipment	5 years
Computer equipment	3-5 years
Leasehold improvements	5-10 years

Capitalized leases are recorded at the present value of future minimum lease payments. Amortization relating to capitalized leases is calculated over the estimated useful life of the asset using the straight-line method and is included in depreciation. Leasehold improvements are depreciated over the shorter of the estimated useful life of the asset or the remaining lease term.

Maintenance, repairs, and renewals which neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred.

The Organization's capitalization policy is to capitalize purchases of \$1,000 and greater and to expense purchases under \$1,000.

See accompanying Independent Auditor's Report

# WESTERN STATES CANCER RESEARCH NCORP

## NOTES TO FINANCIAL STATEMENTS

As of July 31, 2021 and 2020 and the years then ended

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### Contributions And Grants

Contributions and grants received are recorded as net assets without donor restrictions, and net assets with donor restrictions, depending on the existence or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restriction are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

### Donated Goods And Services

Donated goods and services which meet the criteria for recognition under Accounting for Contributions Received and Contributions Made, are recorded in the accompanying financial statements at fair market value as of the date of donation. During the years ended July 31, 2021 and 2020, the Organization received in-kind donated goods and services totaling \$39,891 and \$11,636, respectively.

### Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, payroll taxes and benefits, rent, depreciation and amortization, and interest which are allocated on the basis of estimates of time and effort.

### Measure of Operation

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, financing costs, and other activities considered to be of a more unusual or nonrecurring nature.

### Income Tax

No provision has been made for income taxes, as the Organization is exempt from Federal income tax pursuant to Internal Revenue Code Section 501(c)(3). There was no unrelated business taxable income during the year. The Organization has not recognized any cumulative adjustment relating to the adoption of FASB ASC Income Tax Topic, nor are there any unrecognized tax benefits to be disclosed as of July 31, 2021. Uncertainty in income taxes for a not-for-profit organization would include the status of its exemption from taxes, status of filings in local jurisdictions, and unrelated business income, if any. The Organization's information return filing for the years 2019 to 2021 remains subject to examination by the Internal Revenue Service.

See accompanying Independent Auditor's Report

# WESTERN STATES CANCER RESEARCH NCORP

## NOTES TO FINANCIAL STATEMENTS

As of July 31, 2021 and 2020 and the years then ended

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### NOTE 2: FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (“FASB”) guidance specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy are as follows:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 primarily consists of financial instruments whose value is based on quoted market prices such as exchange-traded instruments and listed equities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (e.g., quoted prices of similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active).

Level 3 - Unobservable inputs for the asset or liability. Financial instruments are considered Level 3 when their fair values are determined using pricing models, discounted cash flows or similar techniques and at least one significant model assumption or input is unobservable.

The asset’s 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.

Following is a description of the valuation methodologies used for assets measured at fair value.

*Certificates of deposit:* The fair value of the certificates of deposit is based on amortized cost or original cost-plus accrued interest.

*Fixed income securities and stock:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Mutual funds:* Valued at the published net asset value (NAV) of the shares held at the reporting date.

*Beneficial interest in endowment fund:* Valued as reported by the foundation holding the endowment fund.

The preceding 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

# WESTERN STATES CANCER RESEARCH NCORP

## NOTES TO FINANCIAL STATEMENTS

As of July 31, 2021 and 2020 and the years then ended

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.

In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the Statement of Financial Position.

The carrying amount reported in the Statement of Financial Position for cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, approximate fair value because of the immediate or short-term maturities of these financial instruments.

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of July 31, 2021:

	Level 1	Level 2	Level 3	Total
Fixed income:				
Certificates of deposits	\$ 317,436	\$ -	\$ -	\$ 317,436
Mutual funds:				
Open end mutual funds	1,268,215	-	-	1,268,215
Stocks:				
ETFs	182,004	-	-	182,004
Beneficial interest in endowment fund	-	-	84,039	84,039
Total investments at fair value	<u>\$1,767,655</u>	<u>\$ -</u>	<u>\$ 84,039</u>	<u>\$1,851,694</u>

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of July 31, 2020:

	Level 1	Level 2	Level 3	Total
Fixed income:				
Certificates of deposits	\$ 61,929	\$ -	\$ -	\$ 61,929
Mutual funds:				
Open end mutual funds	1,250,924	-	-	1,250,924
Stocks:				
ETFs	182,874	-	-	182,874
Beneficial interest in endowment fund	-	-	72,060	72,060
Total investments at fair value	<u>\$ 1,495,727</u>	<u>\$ -</u>	<u>\$ 72,060</u>	<u>\$1,567,787</u>
Money market				<u>59,068</u>
Total investments				<u>\$1,626,855</u>

See accompanying Independent Auditor's Report

# WESTERN STATES CANCER RESEARCH NCORP

## NOTES TO FINANCIAL STATEMENTS

As of July 31, 2021 and 2020 and the years then ended

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The changes in the investments for which the Organization has used Level 3 inputs to determine the fair values during the year ended July 31, 2021 and 2020, are as follows:

Balance, August 1, 2020	\$ 72,060
Distributions	(2,818)
Fees	(768)
Total gains or losses	<u>15,565</u>
Endowment net assets, July 31, 2021	<u>\$ 84,039</u>
Balance, August 1, 2019	\$ 72,258
Distributions	(711)
Fees	(2,720)
Total gains or losses	<u>3,233</u>
Endowment net assets, July 31, 2020	<u>\$ 72,060</u>

Level III investments consist of the Organization's beneficial interest in Community First Foundation. The fair value is based on the value of the Organization's portion of the underlying investments in the beneficial interest using valuation methods that are appropriate for those investments as determined by the Community First Foundation.

Quantitative information related to valuation inputs is not available since the value of which provided by Community First Foundation was used without adjustment. On an annual basis, Organization's management evaluates the return received from the beneficial interest against the value of its portion of the beneficial interest for reasonableness as compared with current market returns. Management believes that the sensitivity in the fair value measurement of the beneficial interest is related to market fluctuations, as the investments held in the beneficial interest are primarily marketable securities.

### NOTE 3: CONCENTRATION

The Organization's revenue sources carry significant concentrations. For the year ended July 31, 2021, there was one grantor that represented over 10% of revenues and represented a concentration of risk which was approximately 58% of total revenues. For the year ended July 31, 2020, there was one grantor that represented over 10% of revenues and represented a concentration of risk which was approximately 68% of total revenues. A significant reduction in this funding could have an adverse effect on the Organization and its ability to operate its programs and activities.

### NOTE 4: PROPERTY AND EQUIPMENT

Property and equipment as of July 31, 2021 and 2020 are summarized as follows:

See accompanying Independent Auditor's Report

# WESTERN STATES CANCER RESEARCH NCORP

## NOTES TO FINANCIAL STATEMENTS

As of July 31, 2021 and 2020 and the years then ended

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	<u>2021</u>	<u>2020</u>
Computer equipment	\$ 45,212	\$ 39,273
Furniture and fixtures	32,350	22,575
Leasehold improvements	5,935	5,935
Less: Accumulated Depreciation	<u>(40,436)</u>	<u>(24,998)</u>
	<u>\$ 43,061</u>	<u>\$ 42,785</u>

Depreciation expense for the years ended July 31, 2021 and 2020 totaled \$17,747 and \$17,057, respectively.

### NOTE 5: BENEFICIAL INTEREST IN PERPETUAL TRUST

During the fiscal year 2005, the Organization entered into a challenge grant with the Community First Foundation Endowment Fund (the "Foundation") to establish a permanent endowment fund (the "Fund"), to be held by the Foundation; the challenge period expired July 29, 2005. The challenge grant provides for a dollar-for-dollar match during the challenge period.

The Organization granted variance power to the Fund which allows the Fund to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgement of The Foundation's Board of Directors such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the Organization. In accordance with the requirements of the Transfers of Assets to a Nonprofit Organization or Charitable Trust That Raises or Holds Contributions for Others accounting standard, the transfer was not considered to be a contribution from the Organization to the Fund, but rather was accounted for as reciprocal transfer between the Organization and the Fund. Therefore, the transfers are reflected collectively in the Statement of Financial Position as Beneficial interest in assets held by Community First Foundation Endowment Fund.

The Fund is held and invested by the Foundation for the benefit of the Organization. The Organization receives annual distributions of the lesser of five percent of the monthly average balance of the Fund during the preceding year, or the net investment income of the Fund, reduced by fees and investment management expense. Excess earnings, if any, are reinvested in the Fund. However, the Organization will never receive the assets held by the Fund. As of July 31, 2021 and 2020, the fair value of the assets of the Fund were \$84,039 and \$72,060. Distributions from the Fund are available to the Organization for its net assets without donor restrictions.

### NOTE 6: NET ASSETS WITH DONOR RESTRICTIONS

As of July 31, 2021 and 2020, net assets with donor restriction consisted of the following:

See accompanying Independent Auditor's Report

# WESTERN STATES CANCER RESEARCH NCORP

## NOTES TO FINANCIAL STATEMENTS

As of July 31, 2021 and 2020 and the years then ended

	<u>2021</u>	<u>2020</u>
<u>Subject to expenditure for specified purpose</u>		
On-study patient follow through	\$ 126,545	\$ 126,545
<u>Subject to spending policy and appropriation</u>		
Community First Foundation Endowment	84,039	72,060
Total	<u>\$ 210,584</u>	<u>\$ 198,605</u>

### NOTE 7: OPERATING LEASE

The Organization entered into an agreement to lease office space on February 15, 2019 which continues until September 2025 with escalating rent payments that range from \$0 to \$7,638 per month. Future minimum rents commitments as of July 31, 2021 are as follows:

<u>July 31,</u>	
2022	85,616
2023	87,631
2024	89,645
2025	91,660
2026	15,277
Total	<u>\$ 369,830</u>

Rent expense for the year-ended July 31, 2021 and 2020 was \$84,552 and \$84,554, respectively. Due to the escalating rent payments, deferred rent was \$17,515 and \$16,565 for the years ended July 31, 2021 and 2020.

### NOTE 8: COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. In that event, the Organization may be required to refund amounts to the federal government.

### NOTE 9: ENDOWMENT

#### General

The Organization's Endowment Fund was established by action of the Board of Directors (the "Board") to be maintained in perpetuity. The Endowment Fund may include both donor-restricted endowment funds as well as funds designated by the Board to function as endowments. The endowment funds may be established for either specific purposes or general operating use. As required by Generally Accepted Accounting Principles (GAAP), net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

See accompanying Independent Auditor's Report



# WESTERN STATES CANCER RESEARCH NCORP

## NOTES TO FINANCIAL STATEMENTS

As of July 31, 2021 and 2020 and the years then ended

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### Interpretation of Relevant Law

The Board interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the net assets with donor restrictions and (b) the original value of subsequent gifts to be held in perpetuity. The beneficial interest in trust amount reflected in net assets with donor restrictions is adjusted for the annual appreciation or depreciation and distribution of the funds held by Community First Foundation. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

### Return Objective and Risk Parameters

The Organization follows the investment and spending policies adopted by Community First Foundation for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. Beneficial interest in trust include those assets of donor-restricted funds that the Foundation must hold in perpetuity.

Changes in Endowment Net Assets during the year ended July 31, 2021:

Balance, August 1, 2020	\$ 72,060
Distributions	(2,818)
Fees	(768)
Total gains or losses	15,565
Endowment net assets, July 31, 2021	<u>\$ 84,039</u>

### Strategies Employed for Achieving Objectives

To satisfy its long-term objectives, the Organization relies on the Community First Foundation's investment policy and strategy which strive to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The funds are held in a pooled investment portfolio which are invested with a long-term strategy with a balanced portfolio of equity, fixed-income, alternative assets, and cash.

See accompanying Independent Auditor's Report

# WESTERN STATES CANCER RESEARCH NCORP

## NOTES TO FINANCIAL STATEMENTS

As of July 31, 2021 and 2020 and the years then ended

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### Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization can receive annual distributions of the lesser of five percent of the monthly average balance of the Community First Foundation Endowment Fund during the preceding year, or the net investment income of the Fund, reduced by fees and investment management expense, as discussed in Note 5.

### **NOTE 10: LONG-TERM DEBT**

On April 18, 2020, the Organization secured a loan through the Small Business Administration for the Payroll Protection Program. The loan was for total principal of \$238,500, has a 24-month term, and bears interest at 1.00%. No payments are due on the loan for 6 months from the date of first disbursement of the loan and shall be repaid in 18 substantially equal monthly payments of principal and interest, commencing on the first business day after the end of the deferment period. The amount of loan forgiveness shall be calculated in accordance with the requirements of the program, including the provisions of Section 1106 of the CARES Act. The loan was forgiven on August 11, 2021 and was recognized as non-operating income in the statement of activities for the year ended July 31, 2021.

### **NOTE 11: LIQUIDITY**

Financial Assets	
Cash and Cash Equivalents	\$ 137,545
Accounts Receivable	93,084
Investments	<u>1,767,655</u>
Total Financial Assets	\$ 1,998,284
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor imposed restrictions:	
On-study patient follow through	<u>(126,545)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,871,739</u>

The Organization's goal is to maintain financial assets on average to meet between 3 and 6 months of operating expenses. As part of its liquidity plan, other cash holdings and investments will be deposited in accounts which preserve capital and provide growth. Management has the discretion to sweep funds to investment accounts. It is the responsibility of the Finance Committee to review activity periodically to ensure financial integrity. The Organization also receives distributions from its beneficial interest which is not included in the assets included above.

### **NOTE 12: NEW ACCOUNTING PRONOUNCEMENT**

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). This ASU requires a lessee to recognize a right-of-use asset and a lease liability under most operating leases in its balance sheet. The ASU is effective for annual and interim periods beginning after December 15, 2021, including interim periods within those fiscal years. Early adoption is permitted. We are continuing to evaluate the impact of this new standard on our financial reporting and disclosures.

# WESTERN STATES CANCER RESEARCH NCORP

## NOTES TO FINANCIAL STATEMENTS

As of July 31, 2021 and 2020 and the years then ended

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Management does not believe that any other recently issued, but not yet effective, accounting standards could have a material effect on the accompanying financial statements. As new accounting pronouncements are issued, we will adopt those that are applicable under the circumstances.

### NOTE 13: SUBSEQUENT EVENTS

#### Management's Evaluation

Management of the Organization has evaluated events and transactions that occurred after the balance sheet date through January 8, 2022, the date the financial statements were available to be issued, and has determined that no subsequent events occurred that require recognition or disclosure in the financial statements.

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**FEDERAL AWARDS**



To the Board of Directors  
Western States Cancer Research NCORP  
Denver, Colorado

**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Western States Cancer Research NCORP (a nonprofit organization), which comprise the statement of financial position as of July 31, 2021, and the related statements of activities, changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 8, 2022.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Western States Cancer Research NCORP's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Western States Cancer Research NCORP's internal control. Accordingly, we do not express an opinion on the effectiveness of Western States Cancer Research NCORP's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies.

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## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Western States Cancer Research NCORP's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Western States Cancer Research NCORP Response to Findings**

Western States Cancer Research NCORP response to the findings identified in our audit is described in the accompanying *schedule of findings and questioned costs*. Western States Cancer Research NCORP response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Artesian CPA LLC*

## **Artesian CPA, LLC**

Denver, Colorado

January 8, 2022

## **Artesian CPA, LLC**

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To the Board of Directors  
Western States Cancer Research NCORP  
Denver, Colorado

**Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance**

**Report on Compliance for Each Major Federal Program**

We have audited Western States Cancer Research NCORP's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Western States Cancer Research NCORP's major federal programs for the year ended July 31, 2021. Western States Cancer Research NCORP's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Western States Cancer Research NCORP's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Western States Cancer Research NCORP's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Western States Cancer Research NCORP's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Western States Cancer Research NCORP complied, in all material respects, with the

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types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended July 31, 2021.

### **Report on Internal Control over Compliance**

Management of Western States Cancer Research NCORP is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Western States Cancer Research NCORP's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Western States Cancer Research NCORP's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Artesian CPA LLC*

**Artesian CPA, LLC**

Denver, Colorado

January 8, 2022

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**WESTERN STATES CANCER RESEARCH NCORP  
 SUPPLMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JULY 31, 2021**

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<u>Federal Grantor and Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<i>Research and Development Cluster</i>		
<u>Department of Health and Human Services:</u>		
Pass-through - NCI - Community Oncology Research Program - Division of Cancer Prevention and Division of Cancer Control and Population Sciences	93.399	\$ 1,020,813
Total Research and Development Cluster		<u>\$ 1,020,813</u>
<b>Total Expenditures of Federal Awards</b>		<b><u><u>\$ 1,020,813</u></u></b>

*The accompanying notes are an integral part of this financial statement.*

**WESTERN STATES CANCER RESEARCH NCORP**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JULY 31, 2021**

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**1. BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of Western States Cancer Research NCORP (the “Organization”), under programs of the federal government for the year ended July 31, 2021 in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards (the Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

**3. SUBRECIPIENTS**

The Organization has not passed any of their grants through to subrecipient organizations.

**4. NONCASH PROGRAM ACTIVITY**

There was no noncash assistance included in the Schedule of Federal Expenditures for the year ended July 31, 2021.

**5. INDIRECT COST RATE**

The Organization has elected to not use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**WESTERN STATES CANCER RESEARCH NCORP  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JULY 31, 2021**

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**SUMMARY OF AUDITOR'S RESULTS**

- 1) The auditor's report expresses an unmodified opinion on the financial statements of the Company.
- 2) No significant deficiencies relating to the audit of the financial statements are reported. No material weaknesses relating to the audit of the financial statements are reported.
- 3) No instances of noncompliance material to the financial statements of the Company, which would be required to be reported in accordance *with Government Auditing Standards*, were identified during the audit.
- 4) No significant deficiencies or material weaknesses in internal control over major federal award programs are reported.
- 5) The auditor's report issued on compliance applicable to the *Uniform Guidance* expresses an unmodified opinion.
- 6) No audit findings were disclosed that are required to be reported in accordance with 2 CFR section 200.516(a).
- 7) The program tested as a major program was 93.399 Cancer Control
- 8) The Organization is a low-risk auditee.

The threshold used for distinguishing between Type A and Type B programs was \$750,000

**WESTERN STATES CANCER RESEARCH NCORP  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JULY 31, 2021**

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**Schedule of Financial Statement Findings**

None

**Status of Prior Year Findings – Financial Statement Findings**

Finding 2020-001: Resolved

Finding 2020-002: Resolved

**Status of Prior Year Findings – Federal Award Findings**

None