

Western States Cancer Research NCORP

Financial Statements and Independent Auditor's Report
July 31, 2022 and 2021

WESTERN STATES CANCER RESEARCH NCORP

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

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of 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, 2022 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Western States Cancer Research NCORP as of July 31, 2022 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with 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. 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 Western States Cancer Research NCORP and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Western States Cancer Research NCORP's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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Report on Summarized Comparative Information

We have previously audited Western States Cancer Research NCORP's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 8, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Artesian CPA, LLC

Artesian CPA, LLC

Denver, Colorado

November 14, 2022

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WESTERN STATES CANCER RESEARCH NCORP
STATEMENTS OF FINANCIAL POSITION
As of July 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 70,976	\$ 137,545
Accounts receivable	114,080	93,084
Investments	1,241,421	1,767,655
Donated assets for sale	15,180	15,180
Prepaid expenses	92,131	51,394
Total Current Assets	<u>1,533,788</u>	<u>2,064,858</u>
NonCurrent Assets:		
Property and Equipment, net	23,873	43,061
Beneficial Interest in asset held in trust	69,286	84,039
Total NonCurrent assets	<u>93,159</u>	<u>127,100</u>
TOTAL ASSETS	<u><u>\$ 1,626,947</u></u>	<u><u>\$ 2,191,958</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 21,157	\$ 48,311
Accrued expenses	118,292	82,834
Capital lease -current portion	4,676	4,578
Total Current Liabilities	<u>144,125</u>	<u>135,723</u>
Long-Term Liabilities:		
Capital lease - net of current portion	3,346	8,022
Deferred rent	16,451	17,515
TOTAL LIABILITIES	<u>163,922</u>	<u>161,260</u>
Net Assets:		
Without donor restrictions	1,162,051	1,820,114
With donor restrictions	300,974	210,584
Total Net Assets	<u>1,463,025</u>	<u>2,030,698</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,626,947</u></u>	<u><u>\$ 2,191,958</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, 2022 and 2021

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating Activities:				
Government contracts	\$ 911,351	\$ 105,142	\$ 1,016,493	\$ 1,020,813
Consortium member income	177,521	-	177,521	246,105
Research studies	122,653	-	122,653	110,943
Contributions	56,788	-	56,788	93,039
Special events				
Less: direct benefit to donors	13,403	-	13,403	24,209
In-kind contributions	9,111	-	9,111	39,891
Total Revenues and Support	1,290,827	105,142	1,395,969	1,535,000
Expenses:				
Program services	1,700,461	-	1,700,461	1,749,126
Supporting services:				
Management and general	3,066	-	3,066	567
Fundraising	47,367	-	47,367	78,719
Total Expenses	1,750,894	-	1,750,894	1,828,412
Change in net assets from operating activities	(460,067)	105,142	(354,925)	(293,412)
Nonoperating Activities:				
PPP Loan forgiveness	-	-	-	238,500
Realized gain	111,432	-	111,432	32,247
Unrealized gain/(loss)	(341,161)	(14,752)	(355,913)	149,789
Interest and dividends	31,978	-	31,978	58,495
Interest expense	(245)	-	(245)	(326)
Change in net assets from nonoperating activities	(197,996)	(14,752)	(212,748)	478,705
Changes in net assets	(658,063)	90,390	(567,673)	185,293
Net assets at beginning of year	1,820,114	210,584	2,030,698	1,845,405
Net assets at end of year	\$ 1,162,051	\$ 300,974	\$ 1,463,025	\$ 2,030,698

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, 2022 and 2021

	2022			2021	
	Program	Supporting Services		Total	Total
	Clinical Trials	Management and General	Fundraising		
Salaries, taxes and benefits	\$ 1,307,068	\$ 447	\$ 31,868	\$ 1,339,383	\$ 1,384,461
Office administration expense	111,211	1,667	3,797	116,675	122,577
Consortium expenses	101,918	-	-	101,918	87,593
Rental expenses	88,425	-	-	88,425	89,852
Research study expenses	32,493	-	-	32,493	25,634
Professional services	29,859	-	1,625	31,484	56,612
Depreciation and amortization	21,511	-	-	21,511	17,747
In-kind contributions	-	-	9,111	9,111	39,891
Travel expenses	7,976	-	324	8,300	3,913
Bad debt expenses	-	952	-	952	-
Community engagement	-	-	642	642	132
	<u>\$ 1,700,461</u>	<u>\$ 3,066</u>	<u>\$ 47,367</u>	<u>\$ 1,750,894</u>	<u>\$ 1,828,412</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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (567,673)	\$ 185,293
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	21,511	17,747
Unrealized (gain)/loss on investments	355,913	(149,789)
Investment management fees	15,513	15,247
PPP loan forgiveness	-	(238,500)
Change in operating assets and liabilities:		
Change in accounts receivable	(20,996)	(9,130)
Change in inventory	-	-
Change in prepaid expenses	(40,737)	(3,354)
Change in accounts payable	(27,154)	(52,982)
Change in accrued liabilities	35,459	26,369
Change in deferred revenue	-	-
Change in deferred rent	(1,064)	950
Net cash used in operating activities	<u>(229,228)</u>	<u>(208,149)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Reinvested dividends, net of fees	(31,914)	(58,427)
Purchase of investments	(481,048)	(431,213)
Proceeds from sales of investments	682,522	399,344
Purchases of property and equipment	(2,323)	(12,009)
Net cash (used in)/provided by investing activities	<u>167,237</u>	<u>(102,305)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on capital lease payable	(4,578)	(4,489)
Net cash used in financing activities	<u>(4,578)</u>	<u>(4,489)</u>
Net decrease in cash and cash equivalents	(66,569)	(314,943)
Cash and cash equivalents at beginning of year	137,545	452,488
Cash and cash equivalents at end of year	<u>\$ 70,976</u>	<u>\$ 137,545</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, 2022 and 2021 and the years then ended

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 31st year end to a July 31st 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, 2022 and 2021 and the years then ended

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 \$0 of uninsured cash balances as of July 31, 2022 and 2021, 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. The Organization has recorded allowances against its accounts receivable balances as of July 31, 2022 and 2021 of \$8,309 and \$12,008, respectively.

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, 2022 and 2021 and the years then ended

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, 2022 and 2021, the Organization received in-kind donated goods and services totaling \$9,111 and \$39,891, 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, 2022. 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 2020 to 2022 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, 2022 and 2021 and the years then ended

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, 2022 and 2021 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, 2022:

	Level 1	Level 2	Level 3	Total
Cash:	\$ 7,062	\$ -	\$ -	\$ 7,062
Fixed income:				
Certificates of deposits	30,000	-	-	30,000
Mutual funds:				
Open end mutual funds	1,204,359	-	-	1,204,359
Beneficial interest in endowment fund	-	-	69,286	69,286
Total investments at fair value	<u>\$1,241,421</u>	<u>\$ -</u>	<u>\$ 69,286</u>	<u>\$1,310,707</u>

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>

See accompanying Independent Auditor's Report

WESTERN STATES CANCER RESEARCH NCORP

NOTES TO FINANCIAL STATEMENTS

As of July 31, 2022 and 2021 and the years then ended

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, 2022 and 2021, are as follows:

Balance, August 1, 2021	\$ 84,039
Distributions	(2,907)
Fees	(801)
Total gains or losses	<u>(11,045)</u>
Endowment net assets, July 31, 2022	<u>\$ 69,286</u>

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>

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, 2022, there was one grantor that represented over 10% of revenues and represented a concentration of risk which was approximately 75% of total revenues. 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. A significant reduction in this funding could have an adverse effect on the Organization and its ability to operate its programs and activities.

WESTERN STATES CANCER RESEARCH NCORP

NOTES TO FINANCIAL STATEMENTS

As of July 31, 2022 and 2021 and the years then ended

NOTE 4: PROPERTY AND EQUIPMENT

Property and equipment as of July 31, 2022 and 2021 are summarized as follows:

	<u>2022</u>	<u>2021</u>
Computer equipment	\$ 44,823	\$ 45,212
Furniture and fixtures	34,672	32,350
Leasehold improvements	5,935	5,935
Less: Accumulated Depreciation	<u>(61,557)</u>	<u>(40,436)</u>
	<u>\$ 23,873</u>	<u>\$ 43,061</u>

Depreciation expense for the years ended July 31, 2022 and 2021 totaled \$21,511 and \$17,747, 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, 2022 and 2021, the fair value of the assets of the Fund were \$69,286 and \$84,039. Distributions from the Fund are available to the Organization for its net assets without donor restrictions.

See accompanying Independent Auditor's Report

WESTERN STATES CANCER RESEARCH NCORP

NOTES TO FINANCIAL STATEMENTS

As of July 31, 2022 and 2021 and the years then ended

NOTE 6: NET ASSETS WITH DONOR RESTRICTIONS

As of July 31, 2022 and 2021, net assets with donor restriction consisted of the following:

	2022	2021
Subject to expenditure for specified purpose		
On-study patient follow through	\$ 231,688	\$ 126,545
Subject to spending policy and appropriation		
Community First Foundation Endowment	69,286	84,039
Total	\$ 300,974	\$ 210,584

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:

July 31,	
2023	\$ 87,631
2024	89,645
2025	91,660
2026	15,277
2027	-
Total	\$ 284,213

Rent expense for the year-ended July 31, 2022 and 2021 was \$84,552 and \$84,552, respectively. Due to the escalating rent payments, deferred rent was \$16,451 and \$17,515 for the years ended July 31, 2022 and 2021.

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.

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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.

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, 2022:

Balance, August 1, 2021	\$ 84,039
Distributions	(2,907)
Fees	(801)
Total gains or losses	(11,045)
Endowment net assets, July 31, 2022	<u>\$ 69,286</u>

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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.

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	\$ 70,976
Accounts Receivable	114,080
Investments	<u>1,241,421</u>
Total Financial Assets	\$ 1,426,477
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor imposed restrictions:	
On-study patient follow through	<u>(231,688)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,194,789</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

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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.

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 November 14, 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.