

Western States Cancer Research NCORP

Financial Statements and Independent Auditor's Report
July 31, 2024 and 2023

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

Opinion

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, 2024 and 2023 and the related statements of activities, functional expenses, and cash flows for the years 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, 2024 and 2023 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.

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 opinion.

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 and *Government 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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Supplementary Information

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 28, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis 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 May 13, 2025, 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 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

May 13, 2025

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WESTERN STATES CANCER RESEARCH NCORP
STATEMENTS OF FINANCIAL POSITION
As of July 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 221,310	\$ 147,122
Accounts and grants receivable, net	697,084	580,312
Investments	747,512	1,022,065
Donated assets for sale	15,180	15,180
Prepaid expenses	48,419	61,752
Total Current Assets	<u>1,729,505</u>	<u>1,826,431</u>
Non-Current Assets:		
Property and equipment, net	50,757	15,775
Operating lease right of use asset, net of current portion	106,719	180,717
Finance lease right of use asset, net of current portion	9,526	15,876
Other asset	3,195	-
Accounts receivable, non-current	113,159	-
Beneficial interest in asset held in trust	73,369	70,608
Total Non-Current assets	<u>356,725</u>	<u>282,976</u>
TOTAL ASSETS	<u>\$ 2,086,230</u>	<u>\$ 2,109,407</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 485,231	\$ 215,446
Accrued expenses	123,597	118,209
Prepaid income	30,677	25,300
Finance lease right of use liability, current portion	7,092	7,092
Operating lease liability, current portion	89,423	84,375
Total Current Liabilities	<u>736,020</u>	<u>450,422</u>
Long-Term Liabilities:		
Finance lease right of use liability, net of current portion	2,920	9,607
Operating lease liability, net of current portion	15,213	104,633
Total Long-Term Liabilities	<u>18,133</u>	<u>114,240</u>
TOTAL LIABILITIES	<u>754,153</u>	<u>564,662</u>
Net Assets:		
Without donor restrictions:		
Board Designated	227,181	231,688
Undesignated	1,031,527	1,242,449
With donor restrictions	73,369	70,608
Total Net Assets	<u>1,332,077</u>	<u>1,544,745</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,086,230</u>	<u>\$ 2,109,407</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, 2024 and 2023

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating Activities:				
Revenues and support:				
Government contracts	\$ 1,015,015	\$ -	\$ 1,015,015	\$ 1,257,559
Research studies	1,149,816	-	1,149,816	356,409
Consortium member income	171,159	-	171,159	164,057
Contributions	53,347	-	53,347	235,271
In-kind contributions	21,129	-	21,129	24,799
Special events				
Less: direct benefit to donors	19,378	-	19,378	18,128
Net assets released from restriction	3,044	(3,044)	-	-
Total Revenues and Support	2,432,888	(3,044)	2,429,844	2,056,223
Expenses:				
Program services	2,461,323	-	2,461,323	1,973,011
Supporting services:				
Management and general	178,048	-	178,048	685
Fundraising	144,535	-	144,535	56,780
Total Expenses	2,783,906	-	2,783,906	2,030,476
Change in net assets from operating activities	(351,018)	(3,044)	(354,062)	25,747
Non-operating Activities:				
Realized gain/(loss)	(12,347)	300	(12,047)	17,251
Unrealized gain/(loss)	119,746	4,304	124,050	(4,884)
Interest and dividends	39,816	1,932	41,748	53,934
Investment fees	(9,630)	(731)	(10,361)	(9,571)
Interest expense	(1,439)	-	(1,439)	(526)
Loss on disposal of asset	(557)	-	(557)	(231)
Change in net assets from non-operating activities	135,589	5,805	141,394	55,973
Changes in net assets	(215,429)	2,761	(212,668)	81,720
Net assets at beginning of year	1,474,137	70,608	1,544,745	1,463,025
Net assets at end of year	\$ 1,258,708	\$ 73,369	\$ 1,332,077	\$ 1,544,745

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, 2024 and 2023

	2024				2023			
	Program	Supporting Services		Total	Program	Supporting Services		Total
	Clinical Trials	Management and General	Fundraising		Expenses	Clinical Trials	Management and General	
Salaries, taxes and benefits	\$ 1,288,844	\$ 168,568	\$ 79,230	\$ 1,536,642	\$ 1,397,288	\$ -	\$ 8,975	\$ 1,406,263
Consortium expenses	859,080	-	-	859,080	252,789	-	-	252,789
Professional services	63,521	-	42,325	105,846	65,635	-	23,200	88,835
Rental expenses	88,914	-	-	88,914	83,415	-	46	83,461
Office administration expense	81,917	2,083	1,607	85,607	118,640	25	1,066	119,731
Research study expenses	34,788	-	-	34,788	35,649	-	-	35,649
Depreciation and amortization	25,346	-	-	25,346	11,504	-	-	11,504
In-kind contributions	-	-	21,129	21,129	-	500	23,259	23,759
Travel expenses	18,000	-	244	18,244	8,091	-	234	8,325
Bad debts expense	-	7,397	-	7,397	-	-	-	-
Community engagement	913	-	-	913	-	160	-	160
	<u>\$ 2,461,323</u>	<u>\$ 178,048</u>	<u>\$ 144,535</u>	<u>\$ 2,783,906</u>	<u>\$ 1,973,011</u>	<u>\$ 685</u>	<u>\$ 56,780</u>	<u>\$ 2,030,476</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, 2024 and 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (212,668)	\$ 81,720
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Bad debt expense	7,397	-
Depreciation	18,995	5,389
Loss on disposal of asset	557	231
Unrealized (gain)/loss on investments	(124,050)	4,884
Investment management fees	10,361	9,571
Realized (gain)/loss on investments	12,047	(17,251)
Amortization of finance lease right-of-use asset	6,351	6,115
Amortization of discount on finance lease liabilities	1,033	623
Change in operating assets and liabilities:		
Change in accounts receivable	(124,170)	(466,232)
Change in other asset	(3,194)	-
Change in prepaid expenses	13,334	30,379
Change in operating lease right of use asset	73,998	(180,717)
Change in long term receivable	(113,159)	-
Change in accounts payable	269,785	194,289
Change in accrued liabilities	5,389	(83)
Change in prepaid income	5,377	25,300
Change in operating lease liability	(84,372)	189,008
Change in deferred rent	-	(16,451)
Net cash used in operating activities	<u>(236,989)</u>	<u>(133,225)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Reinvested dividends, net of fees	(41,748)	(53,934)
Purchase of investments	(405,000)	(30,000)
Proceeds from sales of investments	819,550	297,182
Purchases of property and equipment	(54,533)	-
Net cash provided by investing activities	<u>318,269</u>	<u>213,248</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of finance lease right of use liability	(7,092)	(10,939)
Net cash used in financing activities	<u>(7,092)</u>	<u>(10,939)</u>
Net increase in cash and cash equivalents	74,188	69,084
Cash and cash equivalents at beginning of year	147,122	78,038
Cash and cash equivalents at end of year	<u>\$ 221,310</u>	<u>\$ 147,122</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest expense	\$ 406	\$ -
Supplemental Disclosure of Non-Cash Activities:		
Recognition of finance lease right-of-use asset	\$ -	\$ 21,992
Recognition of finance lease liability	\$ -	\$ 21,878
Recognition of operating lease right-of-use assets	\$ -	\$ 259,863
Recognition of operating lease liabilities	\$ -	\$ 269,146

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, 2024 and 2023 and for 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, 2024 and 2023 and for 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 no uninsured cash balances as of July 31, 2024 and 2023.

Accounts and Grants Receivable

Accounts and grants receivable are carried 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 receivables. Accounts receivable totaled \$584,884 with allowances against such of \$15,706 as of July 31, 2024, including the long-term receivable discussed in Note 3. Accounts receivable totaled \$347,556 with allowances against such of \$8,309 as of July 31, 2023. Employee retention credit receivable (see Note 13) totaled \$241,066 as of July 31, 2024 and 2023.

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

Acquisitions of assets in excess of \$1,000 are capitalized at cost. Property and equipment are depreciated using the straight-line method over the assets estimated useful lives ranging from 3-7 years. The Organization assesses its property and equipment for indications of impairment annually and adjusts the carrying balances if impairments are determined. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restrictions upon acquisition of the assets and the assets are placed in service.

Donated Assets for Sale

Donated assets for sale consists of a donated painting and cemetery plots which the Organization holds for sale. The assets are carried at historical cost, which is believes to approximate fair value.

See accompanying Independent Auditor's Report

WESTERN STATES CANCER RESEARCH NCORP

NOTES TO FINANCIAL STATEMENTS

As of July 31, 2024 and 2023 and the years then ended

Grant and Contract Revenue

For all grants and contracts which are considered to be exchange transactions, revenue is recognized as allowable reimbursable expenses are incurred. Cash received in excess of allowable expenses is recorded as deferred revenue, and allowable expenses incurred in excess of cash received are recorded as receivables.

Contributions

Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributed Services and Other In-Kind Contributions

Contributed services are recorded if they (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. A number of volunteers have contributed significant amounts of their time in the Organization's program services but are not recognized as contributions in the financial statements because they do not meet the aforementioned criteria. For the years ended July 31, 2024 and 2023 there were in-kind contributions totaling \$21,129 and \$24,799, respectively.

Revenue Recognition

The Organization recognizes revenue in accordance with ASC 606 when it has satisfied its performance obligations under agreements with customers and collectability is probable.

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.

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.

See accompanying Independent Auditor's Report

WESTERN STATES CANCER RESEARCH NCORP

NOTES TO FINANCIAL STATEMENTS

As of July 31, 2024 and 2023 and the years then ended

Leases

On August 1, 2023, the Organization adopted ASC 842, *Leases*, as amended, which supersedes the lease accounting guidance under Topic 840, and generally requires lessees to recognize operating lease liabilities and corresponding right of use (“ROU”) assets on the statement of financial position and to provide enhanced disclosures surrounding the amount, timing and uncertainty of cash flows arising from lease arrangements. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases, while accounting for finance leases remained substantially unchanged. The Organization adopted the new guidance using a modified retrospective method. Under this method, the Organization elected to apply the new accounting standard only to the most recent period presented, recognizing the cumulative effect of the accounting change, if any, as an adjustment to the beginning balance of net assets. Accordingly, prior periods have not been restated to reflect the new accounting standard.

The Organization elected transitional practical expedients for existing leases which eliminated the requirements to reassess existing lease classification, initial direct costs, and whether contracts contain leases. Also, the Organization elected to present the payments associated with short-term leases as an expense in the statements of activities, recognized on a straight-line basis. Short-term leases are leases with a lease term of 12 months or less.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments: (a) fixed payments (including in substance fixed payments), less any lease incentives receivable, (b) variable lease payments that are based on an index or a rate, (c) amounts expected to be payable by the lessee under residual value guarantees, (d) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and (e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, the Organization’s incremental borrowing rate or risk-free rate as allowed for non-public business entity. ROU assets are measured at cost comprising the following: (a) the amount of the initial measurement of lease liability, (b) any lease payments made at or before the commencement date less any lease incentives received, and (c) any initial direct costs.

At the commencement date, the date at which the leased asset is available for use by the Organization, leases are recognized by recording an ROU asset and a lease liability.

After the commencement date, for an operating lease, the lease liability is measured at the present value of the lease payments not yet paid using the interest rate established at commencement date (unless the rate has been updated after the commencement date) and the ROU asset is measured at the amount of lease liability, adjusted for, unless the ROU asset has been previously impaired: a) prepaid or accrued lease payments, b) the remaining balance of any lease incentives received, and (c) unamortized initial direct costs. The finance lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect the lease payments made during the period. The lessee determines the interest on the lease liability in each period during the lease term as the amount that produces a constant periodic discount rate on the remaining balance of the liability, taking into consideration the reassessment requirements in. The finance lease ROU asset is measured at cost less any accumulated amortization and any accumulated impairment losses, taking into consideration the reassessment requirements. The finance lease ROU

See accompanying Independent Auditor’s Report

WESTERN STATES CANCER RESEARCH NCORP

NOTES TO FINANCIAL STATEMENTS

As of July 31, 2024 and 2023 and the years then ended

asset is being amortized on a straight-line basis, unless another systematic basis is appropriate over its estimated useful life or lease term, whichever is shorter.

Upon adoption of ASU 2016-02, the Organization recognized lease liability in relation to a lease which was classified as operating lease under the principles of ASC 842. This liability was measured at the present value of the remaining lease payments, discounted using the Organization's incremental borrowing rate as of the lease execution date.

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, 2024. 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 2022 to 2024 remains subject to examination by the Internal Revenue Service.

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.

See accompanying Independent Auditor's Report

WESTERN STATES CANCER RESEARCH NCORP

NOTES TO FINANCIAL STATEMENTS

As of July 31, 2024 and 2023 and the years then ended

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 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, 2024:

	2024			
	Level 1	Level 2	Level 3	Total
Mutual funds:				
Open end mutual funds	\$ 747,512	\$ -	\$ -	\$ 747,512
Beneficial interest in endowment fund	-	-	73,369	73,369
Total investments at fair value	<u>\$ 747,512</u>	<u>\$ -</u>	<u>\$ 73,369</u>	<u>\$ 820,881</u>

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The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of July 31, 2023:

	2023			Total
	Level 1	Level 2	Level 3	
Mutual funds:				
Open end mutual funds	\$ 1,022,065	\$ -	\$ -	\$ 1,022,065
Beneficial interest in endowment fund	-	-	70,608	70,608
Total investments at fair value	<u>\$ 1,022,065</u>	<u>\$ -</u>	<u>\$ 70,608</u>	<u>\$ 1,092,673</u>

The changes in the investments for which the Organization has used Level 3 inputs to determine the fair values during the years ended July 31, 2024 and 2023, are as follows:

Balance, August 1, 2023	\$ 70,608
Distributions	(3,044)
Fees	(731)
Total gains or losses	6,536
Endowment net assets, July 31, 2024	<u>\$ 73,369</u>
Balance, August 1, 2022	\$ 69,286
Distributions	(3,142)
Fees	(677)
Total gains or losses	5,141
Endowment net assets, July 31, 2023	<u>\$ 70,608</u>

Level 3 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, the 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.

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NOTE 3: ACCOUNTS RECEIVABLE, NON-CURRENT

The Organization expanded its cancer clinical trials to also offer industry (pharmaceutical) trials in addition to NCI studies. Industry studies often hold back a portion of the receivables on certain patient events. Once the study is complete, all the remaining balance will be fully collectible. As of July 31, 2024, the discount rate used in discounting future cash flows ranged from 3.97% to 4.10%.

Future maturities of accounts receivable as of July 31, 2024 are as follows:

2025	\$	3,220
2026		-
2027		-
2028		29,131
2029		-
Thereafter		102,192
Total		<u>134,543</u>
Less: Time value discount		<u>(21,384)</u>
Total long-term receivables	\$	<u><u>113,159</u></u>

NOTE 4: CONCENTRATION

The Organization's revenue sources carry significant concentrations. For the year ended July 31, 2024, there were two revenue sources that represented over 10% of revenues and represented a concentration of risk which was approximately 41% and 41% of total revenues. For the year ended July 31, 2023, there were two revenue sources that represented over 10% of revenues and represented a concentration of risk which was approximately 50% and 12% of total revenues, where loss of these funding sources could have a material impact on the Organization's financial position. The Organization's receivables carry significant concentrations. As of July 31, 2024, there were two sources that represented over 10% of total receivables and represented a concentration of risk which were approximately 59% and 30% of total receivables. As of July 31, 2023, there were two sources that represented over 10% of total receivables and represented a concentration of risk which was approximately 41% and 32% of total receivables representing a credit risk associated with the granting agencies' and customers' ability to pay these obligations.

NOTE 5: PROPERTY AND EQUIPMENT

Property and equipment as of July 31, 2024 and 2023 are summarized as follows:

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As of July 31, 2024 and 2023 and the years then ended

	<u>2024</u>	<u>2023</u>
Computer equipment	\$ 79,706	\$ 41,717
Furniture and fixtures	17,293	19,556
Leasehold improvements	5,935	5,935
Less: Accumulated Depreciation	<u>(52,177)</u>	<u>(51,433)</u>
	<u>\$ 50,757</u>	<u>\$ 15,775</u>

Depreciation expense for the years ended July 31, 2024 and 2023 totaled \$18,995 and \$5,389, respectively.

NOTE 6: 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, 2024 and 2023, the fair value of the assets of the Fund were \$73,369 and \$70,608, respectively. Distributions from the Fund are available to the Organization for its net assets without donor restrictions.

NOTE 7: NET ASSETS WITH DONOR RESTRICTIONS

As of July 31, 2024 and 2023, net assets with donor restriction consisted of the following:

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NOTES TO FINANCIAL STATEMENTS

As of July 31, 2024 and 2023 and the years then ended

	<u>2024</u>	<u>2023</u>
<u>Subject to spending policy and appropriation</u>		
Community First Foundation Endowment	\$ 73,369	\$ 70,608
Total	<u>\$ 73,369</u>	<u>\$ 70,608</u>

NOTE 8: LEASES

Operating Lease

The Organization entered into 74-month lease agreement for an office space in 2019 which continues until September 2025 with rent payments that range from \$6,799 to \$7,638 per month (annual escalation of 2%). The Organization considered renewal reasonably certain. ROU asset and liability as of July 31, 2024 and 2023 are presented as separate line items in the Organization's statement of financial position.

As of and for the years ended July 31, 2024 and 2023, the components of total lease cost and other supplemental lease information are presented in the following tables:

	<u>2024</u>	<u>2023</u>
Components of lease cost:		
Operating lease costs	\$ 87,032	\$ 86,903
Cash paid for amounts included in the measurement of lease liability		
Operating cash flows for operating leases	\$ 97,619	\$ 87,966
Remaining lease term and discount rate:		
Remaining lease term	1.17	2.17
Discount rate (annual)	3.50%	3.50%

The following table summarizes the maturity of lease liabilities under an operating lease for subsequent years as of July 31, 2024:

2025	\$ 91,660
2026	15,276
Total undiscounted cash flows	106,936
Unamortized interest	(2,300)
Present value of operating lease liability	<u>\$ 104,636</u>
Operating lease liability, current	\$ 89,423
Operating lease liability, non-current	15,213
Present value of operating lease liability	<u>\$ 104,636</u>

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As of July 31, 2024 and 2023 and the years then ended

Total lease expense, including month-to-month or other short-term leases, totaled \$88,914 and \$83,461 for the years ended July 31, 2024 and 2023, respectively.

Finance Leases

In February 2023, the Organization entered into a 3-year lease agreement for a copier that is classified as a finance lease until February 2026. The agreement requires monthly payments of \$591. ROU asset and liability as of July 31, 2024 and 2023 are presented as separate line items in the Organization's statement of financial position.

In October 2018, the Organization entered into a 5-year lease agreement for a copier that is classified as a finance lease until February 2023, when the contract was cancelled. The agreement required monthly payments of \$478.

As of and for the years ended July 31, 2024 and 2023, the components of total lease cost and other supplemental lease information are presented in the following tables:

	<u>2024</u>	<u>2023</u>
Components of lease cost:		
Amortization of asset, included in depreciation and amortization	\$ 6,351	\$ 6,115
Interest, included in interest expense	\$ 1,033	\$ 623
Cash paid for amounts included in the measurement of lease liability		
Financing cash flows for finance lease	\$ 7,092	\$ 6,271
Lease liability arising from ROU assets (subsequent to adoption):	\$ -	\$ 19,052
Remaining lease term and discount rate:		
Remaining lease term	1.50	2.5
Discount rate (annual)	7.75%	7.75%

The following table summarizes the maturity of lease liability under finance lease for subsequent years as of July 31, 2024:

2025	\$ 7,092
2026	<u>3,546</u>
Total lease payments	10,638
Less: Imputed interest	<u>(626)</u>
Present value of finance lease liability	<u>\$ 10,012</u>

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NOTE 9: BOARD DESIGNATED NET ASSETS

The board has designated a portion of net assets without donor restrictions to be set aside for purposes of possible discontinuing operations should they arise. As of July 31, 2024 and 2023, the board designated net assets totaled \$227,181 and \$231,688, respectively.

NOTE 10: 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 11: 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.

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

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- (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 includes those assets of donor-restricted funds that the Foundation must hold in perpetuity.

Changes in Endowment Net Assets during the years ended July 31, 2024 and 2023:

Balance, August 1, 2023	\$ 70,608
Distributions	(3,044)
Fees	(731)
Total gains or losses	6,536
Endowment net assets, July 31, 2024	<u>\$ 73,369</u>
Balance, August 1, 2022	\$ 69,286
Distributions	(3,142)
Fees	(677)
Total gains or losses	5,141
Endowment net assets, July 31, 2023	<u>\$ 70,608</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.

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 6.

NOTE 12: REVENUE FROM CONTRACTS WITH CUSTOMERS

The Organization's revenue from contracts with customers is recognized within the following categories for the years ended July 31, 2024 and 2023:

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	<u>2024</u>	<u>2023</u>
Research Study	\$ 1,149,816	\$ 356,409
Consortium Member Income	171,159	164,057
	<u>\$ 1,320,975</u>	<u>\$ 520,466</u>

A description of the Organization's revenue streams is as follows:

Research Study: The Organization recognizes revenue from clinical trials (studies) by providing data, regulatory, and quality assurance oversight as well as clinical research coordinator support.

Consortium Member Income: Western States Cancer Research recognizes consortium member income for providing and overseeing clinical oncology research studies under National Cancer Institute's Clinical Oncology Research Program (NCORP).

Receivables and contract assets from contracts with customers are as follows:

	<u>Accounts Receivable</u>
August 1, 2022	\$ 114,080
July 31, 2023	\$ 339,247
July 31, 2024	\$ 569,178

NOTE 13: EMPLOYEE RETENTION CREDIT

The Organization was eligible for the Employee Retention Tax Credit ("ERTC") under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") of 2020, as modified by the Consolidated Appropriations Act of 2021 and the American Rescue Plan Act of 2021. ERTC provides a refundable tax credit against certain employment taxes. The Organization recognized the total amount of \$241,066 as revenue in the statement of activities for the year ended July 31, 2023. As of July 31, 2024 and 2023, \$241,066 and \$241,066, respectively, of such amounts were included in accounts and grants receivable in the statements of financial position.

NOTE 14: LIQUIDITY

Financial Assets:	
Cash and cash equivalents	\$ 221,310
Accounts and grants receivable	697,084
Investments	747,512
Prepaid expenses	48,419
Total Financial Assets	<u>1,714,325</u>
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor imposed restrictions:	<u>(73,369)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,640,956</u>

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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 15: SUBSEQUENT EVENTS

Management's Evaluation

Management of the Organization has evaluated events and transactions that occurred after the statement of financial position date through May 13, 2025, 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.