

The Ross K. MacNeill Foundation

Financial Statements

December 31, 2022 and 2021

The Ross K. MacNeill Foundation

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Independent Auditors' Report

To the Board of Directors of
The Ross K. MacNeill Foundation

Opinion

We have audited the financial statements of The Ross K. MacNeill Foundation (the Foundation), which comprise the statements of financial position as of December 31, 2022 and 2021, 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 accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2022 and 2021, 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 5 to the financial statements, the 2021 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 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 the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

Baker Tilly US, LLP

Chicago, Illinois
August 21, 2023

The Ross K. MacNeill Foundation

Statements of Financial Position

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Current Assets		
Cash and cash equivalents (as restated)	\$ 218,304	\$ 231,050
Prepaid insurance	911	-
Prepaid rent (as restated)	-	2,013
	<u>219,215</u>	<u>233,063</u>
Total current assets (as restated)	219,215	233,063
Right of Use Asset		
	<u>39,480</u>	<u>-</u>
Total assets (as restated)	<u>\$ 258,695</u>	<u>\$ 233,063</u>
Liabilities and Net Assets		
Current Liabilities		
Deferred revenue	\$ 12,674	\$ -
Operating lease liabilities, current	<u>21,829</u>	<u>-</u>
Total current liabilities	34,503	-
Long-Term Liabilities		
Operating lease liabilities, non-current	<u>18,760</u>	<u>-</u>
Total liabilities	53,263	-
Net Assets		
Without donor restrictions (as restated)	<u>205,432</u>	<u>233,063</u>
Total net assets (as restated)	<u>205,432</u>	<u>233,063</u>
Total liabilities and net assets (as restated)	<u>\$ 258,695</u>	<u>\$ 233,063</u>

See notes to financial statements

The Ross K. MacNeill Foundation

Statements of Activities

Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
	<u>Without Donor Restrictions</u>	<u>Without Donor Restrictions</u>
Revenues		
Contributions (as restated)	\$ 226,734	\$ 168,111
Special events revenue	407,522	517,836
Investment (loss) income (as restated)	(272)	2,298
Other	43,825	41,920
	<u>677,809</u>	<u>730,165</u>
Expenses		
Program related expenses (as restated)	304,938	256,807
Management and general expenses (as restated)	39,817	33,294
Fundraising expenses	360,685	361,983
	<u>705,440</u>	<u>652,084</u>
Change in net assets (as restated)	(27,631)	78,081
Net Assets Without Donor Restrictions, Beginning	<u>233,063</u>	<u>154,982</u>
Net Assets Without Donor Restrictions, Ending	<u>\$ 205,432</u>	<u>\$ 233,063</u>

See notes to financial statements

The Ross K. MacNeill Foundation

Statement of Functional Expenses

Year Ended December 31, 2022

	<u>Program Related</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 84,669	\$ 10,584	\$ 10,584	\$ 105,837
Employee benefits	11,939	1,492	1,492	14,923
Payroll taxes	6,765	846	846	8,457
Subtotal	<u>103,373</u>	<u>12,922</u>	<u>12,922</u>	<u>129,217</u>
Advertising	2,464	-	-	2,464
Bank charges	-	625	-	625
Computer and internet	-	3,001	-	3,001
Food and beverage	57,030	-	-	57,030
Insurance	-	2,100	-	2,100
Merchandise	-	-	21,357	21,357
Office supplies	2,772	-	-	2,772
Other	-	4,276	-	4,276
Payroll processing fees	-	1,378	-	1,378
Postage	3,119	-	-	3,119
Printing	1,057	-	-	1,057
Professional fees	45,362	11,341	2,195	58,898
Rent	23,654	2,628	-	26,282
Repairs and maintenance	1,586	176	-	1,762
Special events	-	-	324,211	324,211
Supplies and subscriptions	-	1,370	-	1,370
Telephone	462	-	-	462
Travel	13,934	-	-	13,934
Grant expense	50,125	-	-	50,125
Total expenses	<u>\$ 304,938</u>	<u>\$ 39,817</u>	<u>\$ 360,685</u>	<u>\$ 705,440</u>

See notes to financial statements

The Ross K. MacNeill Foundation

Statement of Functional Expenses
Year Ended December 31, 2021

	<u>Program Related</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 59,572	\$ 7,446	\$ 7,446	\$ 74,464
Employee benefits	8,940	1,117	1,117	11,174
Payroll taxes	15,026	1,878	1,878	18,782
Subtotal	<u>83,538</u>	<u>10,441</u>	<u>10,441</u>	<u>104,420</u>
Advertising	4,424	-	-	4,424
Bank charges	-	566	-	566
Computer and internet	-	4,520	-	4,520
Food and beverage	19,865	-	-	19,865
Insurance	-	4,885	-	4,885
Merchandise	-	-	10,648	10,648
Office supplies	1,055	-	-	1,055
Other	-	115	-	115
Postage	2,454	-	-	2,454
Printing	5,453	-	-	5,453
Professional fees	40,109	10,027	-	50,136
Rent (as restated)	21,965	2,441	-	24,406
Special events	-	-	340,894	340,894
Supplies and subscriptions	-	299	-	299
Travel	2,944	-	-	2,944
Grant expense	75,000	-	-	75,000
Total expenses (as restated)	<u>\$ 256,807</u>	<u>\$ 33,294</u>	<u>\$ 361,983</u>	<u>\$ 652,084</u>

See notes to financial statements

The Ross K. MacNeill Foundation

Statements of Cash Flows

Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities		
Change in net assets (as restated)	\$ (27,631)	\$ 78,081
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Refundable advance	-	(19,532)
Noncash lease adjustment	1,109	-
Changes in operating assets and liabilities:		
Prepaid expenses and rent (as restated)	1,102	(2,013)
Deferred revenue	12,674	-
	<u>(12,746)</u>	<u>56,536</u>
Net cash flows from operating activities (as restated)	(12,746)	56,536
Net change in cash and cash equivalents (as restated)	(12,746)	56,536
Cash and Cash Equivalents, Beginning	<u>231,050</u>	<u>174,514</u>
Cash and Cash Equivalents, Ending (as restated)	<u>\$ 218,304</u>	<u>\$ 231,050</u>

See notes to financial statements

The Ross K. MacNeill Foundation

Notes to Financial Statements
December 31, 2022 and 2021

1. Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

The mission of The Ross K. MacNeill Foundation (the Foundation), a 501(c)(3) charitable organization, is to raise money for research and awareness to end pediatric brain cancer. The Ross K. MacNeill Foundation is currently investing in exciting research.

Financial Statement Presentation

These financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the Foundation as a whole and to present balances and transactions according to the existence or absence of externally (donor) imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net Assets Without Donor Restrictions - Net: Net assets not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - Net: Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Foundation did not have any net assets with donor restrictions as of December 31, 2022 and 2021.

The Foundation reports contributions based on the existence or absence of any donor restrictions. The Foundation reports contributions as increases in net assets without donor restrictions if the donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. When restrictions expire, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with an original maturity at purchase of three months or less to be cash equivalents.

The Foundation maintains cash balances which at times may exceed the federally insured limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Contributions

The Foundation recognizes contributions when cash, securities or other assets or an unconditional promise to give is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. Contributions of assets other than cash are recorded at their estimated fair value.

The Foundation records special events revenue equal to the fair value of direct benefits to donors, and contribution revenue for the excess received when the event takes place. Special events revenue for events in future periods are recorded as deferred revenue when received and reflected as revenue in the year when the event occurs.

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Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services identified.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Foundation has received notification that it qualifies as a tax-exempt organization under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding provisions of State law and, accordingly, is not subject to federal or state income taxes.

The Foundation follows the accounting standards for contingencies in evaluating uncertain tax positions. The guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. No liability has been recognized by the Foundation for uncertain tax positions as of December 31, 2022 and 2021. The Foundation's tax returns are subject to review and examination by federal and state authorities.

Adoption of ASC 842 Lease Accounting Standard

Effective January 1, 2022, the Foundation adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, and all related amendments using the modified retrospective approach. The Foundation's 2021 financial statements continue to be accounted for under the FASB's Topic 840 and have not been adjusted.

ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the statement of financial position. At lease inception, leases are classified as either finance leases or operating leases with the associated right-of-use asset and lease liability measured at the net present value of future lease payments. Operating leases are expensed on a straight-line basis as lease expense over the non-cancelable lease term. Expenses for finance leases are comprised of the amortization of the right-of-use asset and interest expense recognized based on the effective interest method. At the date of adoption, the Foundation recorded operating lease right-of-use assets and lease liabilities of \$61,272.

The new standard provides for several optional practical expedients. Upon transition to Topic 842, the Foundation elected:

- The package of practical expedients permitted under the transition guidance which does not require the Foundation to reassess prior conclusions regarding whether contracts are or contain a lease, lease classification and initial direct lease costs;

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The new standard also provides for several accounting policy elections, as follows:

- The Foundation has elected the policy not to separate lease and nonlease components for all asset classes;
- When the rate implicit in the lease is not determinable, rather than use the Foundation's incremental borrowing rate, the Foundation elected to use a risk-free discount rate for the initial and subsequent measurement of lease liabilities for the office lease; and
- The Foundation elected not to apply the recognition requirements to all leases with an original term of 12 months or less, for which the Foundation is not likely to exercise a renewal option or purchase the asset at the end of the lease; rather, short-term leases will continue to be recorded on a straight-line basis over the lease term.

Additional required disclosures for Topic 842 are contained in Note 4.

2. Paycheck Protection Program

The Foundation participated in and received funds under the Paycheck Protection Program (PPP) through the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 in the amount of \$19,532 in May 2020 and a second draw PPP (PPP2) loan in the amount of \$19,530 in February 2021, under the Economic Aid to Hard-Hit Small Businesses, Nonprofits and Venues (Economic Aid) Act. The PPP and PPP2 were designed to provide a direct financial incentive for small businesses to keep their workers on the payroll. The program forgave loan balances to the extent employees were kept on the payroll and the loan principal was used for payroll, rent, mortgage interest or utilities during the eight- or 24-week period following receipt. Any portion of the loan that was not forgiven carries interest at 1% and is due to be paid back within two years. The first payment was eligible to be deferred until 10 months after the end of the covered period, which is eight or 24 weeks for PPP and between eight and 24 weeks for PPP2.

As of December 31, 2021, the Foundation had expended all of the PPP and PPP2 funds received on qualified expenses and met all of the conditions attached to the PPP and PPP2, therefore, the Foundation recorded revenue of \$39,062 within other revenue on its statement of activities for the year ending December 31, 2021. The PPP was forgiven in full by the Small Business Administration (SBA) in March 2021 and PPP2 was forgiven in full by the SBA in September 2021.

The SBA reserves the right to audit any PPP or PPP2 loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the loan is repaid in full or forgiven and to provide that documentation to the SBA upon request. The Foundation does not believe the results of any audits or review by the SBA would have a material impact on the financial statements.

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3. Liquidity and Funds Available

Financial assets available for general expenditure as of December 31, 2022 and 2021 that are without donor or other restrictions limiting their use, within one year of the statement of financial position consist of the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 218,304	\$ 231,050
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 218,304</u>	<u>\$ 231,050</u>

4. Leases

The Foundation leases office space under an operating lease expiring September 30, 2024.

The terms of the lease, monthly rental fees for the years ended December 31, 2022 and 2021 were \$2,021 and \$1,967, respectively. For the years 2023 and beyond, each June the yearly rental fees will be adjusted by 2.75%. In addition, the lease terms provided for abatement of the monthly rental fee during June and July 2021, June 2022 and June 2023 if the lease is not in default. The Foundation received rent abatements of \$2,021 and \$3,935 for the years ended December 31, 2022 and 2021, respectively.

Leases - Prior to January 1, 2022

Rent expense under the lease was \$24,406 for the year ended December 31, 2021.

Leases, January 1, 2022 and After

Right-of-use assets represent the Foundation's right to use an underlying asset for the lease term, while lease liabilities represent the Foundation's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date of a lease based on the net present value of lease payments over the lease term.

In determining the discount rate used to measure the right-of-use assets and lease liabilities, the Foundation uses the rate implicit in the lease, or if not readily available, the Foundation uses a risk-free rate based on U.S. Treasury notes or bond rates for a similar term.

Right-of-use assets are assessed for impairment in accordance with the Foundation's long-lived asset policy. The Foundation reassesses lease classification and remeasures right-of-use assets and lease liabilities when a lease is modified and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with Topic 842.

The Foundation made significant assumptions and judgments in applying the requirements of Topic 842. In particular, the Foundation:

- Evaluated whether a contract contains a lease, by considering factors such as whether the Foundation obtained substantially all rights to control an identifiable underlying asset and whether the lessor has substantive substitution rights; and
- Determined whether contracts contain embedded leases.

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The Foundation does not have any material leasing transactions with related parties.

The following table summarizes the operating lease right-of-use assets and operating lease liabilities as of December 31, 2022:

Operating lease right-of-use assets, net	<u>\$ 39,480</u>
Operating lease liabilities:	
Current	\$ 21,829
Long-term	<u>18,760</u>
Total operating lease liabilities	<u>\$ 40,589</u>

Below is a summary of expenses incurred pertaining to leases during the year ended December 31, 2022:

Operating lease expense	\$ 23,075
Short-term lease expense	<u>3,207</u>
Total lease expense	<u>\$ 26,282</u>

The right-of-use assets and lease liabilities were calculated using a weighted average discount rate of 2.56%. As of December 31, 2022, the weighted average remaining lease term was 1.7 years.

The table below summarizes the Foundation's scheduled future minimum lease payments for years ending after December 31, 2022:

Years ending December 31:	
2023	\$ 22,568
2024	<u>18,921</u>
Total lease payments	41,489
Less present value discount	<u>(900)</u>
Total lease liabilities	40,589
Less current portion	<u>(21,829)</u>
Long-term lease liabilities	<u>\$ 18,760</u>

The following table includes supplemental cash flow and noncash information related to the leases for the year ended December 31, 2022:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 21,966

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5. Restatement

During 2022, the Foundation determined errors were made in 2021 in recording two cash and cash equivalent accounts with balances as of December 31, 2021 and prepayment of January 2022 rent in December 2021. As a result, the Foundation has restated the 2021 financial statements as previously presented to record these cash and cash equivalent accounts and the prepaid rent. There is no effect on beginning net assets.

In addition, for comparability, certain 2021 amounts have been reclassified to conform with classifications adopted in 2022. The reclassifications have no effect on reported amounts of net assets or change in net assets.

The following financial statement line items as of and for the year ended December 31, 2021 were affected by the restatement and reclassifications.

	<u>As Previously Stated</u>	<u>As Restated</u>	<u>Effect of Correction</u>
Statement of Financial Position			
Current assets:			
Cash and cash equivalents	\$ 204,217	\$ 231,050	\$ 26,833
Prepaid rent	-	2,013	2,013
Total current assets	204,217	233,063	28,846
Total assets	204,217	233,063	28,846
Net assets:			
Net assets without donor restrictions	204,217	233,063	28,846
Total net assets	204,217	233,063	28,846
Total liabilities and net assets	204,217	233,063	28,846
Statement of Activities			
Revenues:			
Contributions	\$ 143,570	\$ 168,111	\$ 24,541
Special events revenue	516,959	517,836	877
Investment (loss) income	6	2,298	2,292
Total revenue	702,455	730,165	27,710
Expenses:			
Program related expenses	258,619	256,807	(1,812)
Management and general expenses	50,556	33,294	(17,262)
Fundraising expenses	344,045	361,983	17,938
Total expenses	653,220	652,084	(1,136)
Change in net assets	49,235	78,081	28,846
Net assets, ending without donor restrictions	204,217	233,063	28,846

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	<u>As Previously Stated</u>	<u>As Restated</u>	<u>Effect of Correction</u>
Statement of Functional Expenses			
Rent, program related	\$ 23,777	\$ 21,965	\$ (1,812)
Rent, management and general	2,642	2,441	(201)
Rent, total	26,419	24,406	(2,013)
Bank charges, management and general	17,627	566	(17,061)
Bank charges, total	17,627	566	(17,061)
Special events, fundraising	322,956	340,894	17,938
Special events, total	322,956	340,894	17,938
Total expenses, program related	258,619	256,807	(1,812)
Total expenses, management and general	50,556	33,294	(17,262)
Total expenses, fundraising	344,045	361,983	17,938
Total expenses	653,220	652,084	(1,136)
Statement of Cash Flows			
Cash flows from operating activities:			
Change in net assets	\$ 49,235	\$ 78,081	\$ 28,846
Change in prepaid expenses and rent	-	(2,013)	(2,013)
Net cash flows from operating activities	29,703	56,536	26,833
Net change in cash and cash equivalents	29,703	56,536	26,833
Cash and cash equivalents, ending	204,217	231,050	26,833

6. Subsequent Event

The Foundation has evaluated events through August 21, 2023, which is the date that the financial statements were approved and available to be issued.