

RSM US Foundation

Financial Report
December 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
RSM US Foundation

Opinion

We have audited the accompanying financial statements of RSM US Foundation, a Not-for-Profit Corporation (Foundation), which comprise the statements of financial position as of December 31, 2022 and 2021, the related statements of activities, cash flows, and functional expense 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 results of its operations 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 for one year after the date that the financial statements are available to be issued.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements



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

In performing an audit in accordance with GAAS, we:

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

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

Wardrig, Aljmanowski & Company, P.S.C.

Evansville, Indiana
October 30, 2023

RSM US FOUNDATION

**Statements of Financial Position
December 31, 2022 and 2021**

	2022	2021
Assets		
Cash and cash equivalents	\$ 1,855,097	\$ 3,306,794
Contributions receivable	808,844	65,089
Investments	11,224,104	10,549,021
Total assets	<u>\$ 13,888,045</u>	<u>\$ 13,920,904</u>
Liabilities and Net Assets		
Liabilities		
Grants and program services payable	\$ 768,452	\$ 1,175,322
Total liabilities	768,452	1,175,322
Net Assets		
Without donor restriction	1,895,489	2,196,561
Without donor restriction, board-designated for investment	11,224,104	10,549,021
Total unrestricted net assets	13,119,593	12,745,582
Total liabilities and net assets	<u>\$ 13,888,045</u>	<u>\$ 13,920,904</u>

See notes to financial statements.

RSM US FOUNDATION

Statements of Activities

For the years ended December 31, 2022 and 2021

	2022	2021
Changes in net assets without donor restriction:		
Revenues and support:		
Contributions:		
RSM US LLP		
Cash contributions	\$ 7,233,000	\$ 4,851,000
Non-cash contributions	25,000	25,000
All other		
Cash contributions	3,882,330	2,478,477
Total contributions	<u>11,140,330</u>	<u>7,354,477</u>
Investment income (loss), net of expense	(1,724,918)	1,040,604
Total unrestricted revenues and support	<u>9,415,412</u>	<u>8,395,081</u>
Expenses and distributions:		
Grants and program services	8,956,030	6,788,971
General and administrative	85,371	66,828
Total expenses and distributions	<u>9,041,401</u>	<u>6,855,799</u>
Change in net assets without donor restriction	374,011	1,539,282
Net assets without donor restriction at beginning of period	<u>12,745,582</u>	<u>11,206,300</u>
Net assets without donor restriction at end of period	<u>\$ 13,119,593</u>	<u>\$ 12,745,582</u>

See notes to financial statements.

RSM US FOUNDATION

**Statement of Functional Expense
For the year ended December 31, 2022**

	Grant and Program Services	General and Administrative	Total
Grants and scholarships	\$ 8,956,030	\$ -	\$ 8,956,030
Accounting services	-	25,000	25,000
Bank and credit card processing fees	-	49,256	49,256
Financial statement audit	-	11,100	11,100
Other	-	15	15
	<u>\$ 8,956,030</u>	<u>\$ 85,371</u>	<u>\$ 9,041,401</u>

See notes to financial statements.

RSM US FOUNDATION

**Statement of Functional Expense
For the year ended December 31, 2021**

	Grant and Program Services	General and Administrative	Total
Grants and scholarships	\$ 6,788,971	\$ -	\$ 6,788,971
Accounting services	-	25,000	25,000
Bank and credit card processing fees	-	31,713	31,713
Financial statement audit	-	10,100	10,100
Other	-	15	15
	<u>\$ 6,788,971</u>	<u>\$ 66,828</u>	<u>\$ 6,855,799</u>

See notes to financial statements.

RSM US FOUNDATION

Statements of Cash Flows For the years ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 374,011	\$ 1,539,282
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized investment loss (gain)	2,028,027	(700,581)
Changes in operating assets and liabilities:		
Increase in contributions receivable	(743,755)	(2,275)
Increase (decrease) in grants and program services payable	(406,870)	35,540
Net cash provided by operating activities	<u>1,251,413</u>	<u>871,966</u>
Cash flows from investing activities:		
Purchases of investments	(7,496,232)	(2,068,464)
Proceeds from sales and maturities of investments	4,793,122	2,108,666
Net cash provided by (used in) investing activities	<u>(2,703,110)</u>	<u>40,202</u>
Increase (decrease) in cash and cash equivalents	(1,451,697)	912,168
Cash and cash equivalents at beginning of period	3,306,794	2,394,626
Cash and cash equivalents at end of period	<u>\$ 1,855,097</u>	<u>\$ 3,306,794</u>

See notes to financial statements.

RSM US Foundation

Notes to Financial Statements

Note 1. Organization and Significant Accounting Policies

The RSM US Foundation (Foundation) was incorporated October 20, 2014 under the laws of the State of Illinois as a limited liability corporation with the sole member being RSM US LLP. The Foundation's mission is building tomorrow's middle market leaders by enhancing educational outcomes through programs for individuals who may not otherwise have a path to a career as an entrepreneur or middle market business leader and/or supporting organizations committed to providing a more stable environment for youth in the areas of hunger, housing and health, which help them excel in education.

Basis of accounting: The financial statements of the Foundation 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 Accounting Standards Board (FASB) has established the Accounting Standards Codification (ASC) as the source of authoritative accounting principles to be applied in the preparation of financial statements in accordance with GAAP. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restriction: Net assets available for general use and not subject to time or donor restrictions. The Foundation's board of directors (board) may designate net assets without donor restrictions for future programs, investments, and other purposes, including endowment. The board has designated net assets without donor restriction as follows:

Board designated for investment: Amounts which have been designated by the board for investment in the Foundation's investment pool. These funds are invested in accordance with the Foundation's investment policies and are not available for spending. The board evaluates additions and distributions annually.

Net assets with donor restriction: Some net assets may be subject to donor-imposed stipulations. Some donor-imposed restrictions are temporary in nature and will be met, either by actions of the Foundation and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, and require the Foundation to maintain the contributed resources in perpetuity. Generally, the donors of assets with perpetual restrictions permit the Foundation to use all or part of the income earned on these resources for general or specific purposes. The Foundation received no contributions with donor restrictions in 2022 or 2021 and has no net assets with donor restrictions at December 31, 2022 or 2021.

Net assets released from restriction: When a donor-imposed restriction is met, either by actions of the Foundation and/or through the passage of time, 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.

Contribution revenue recognition: Contributions, including unconditional promises to give, are recognized as revenues in the period the commitment is received by the Foundation. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributed services are recognized when (1) specialized skilled services are provided to the Foundation that the Foundation would have otherwise purchased had the services not been contributed or (2) when the contributed service creates or enhances a nonfinancial asset. Contributed services are recorded at fair value when the service is provided. Donated assets, including marketable securities and other non-cash contributions, are recognized at fair value on the date the unconditional gift is made.

The Foundation has no conditional contributions receivable at December 31, 2022 or 2021.

RSM US Foundation

Notes to Financial Statements

Contributions are reported as increases in the appropriate net asset category. Expenses are reported as decreases in net assets without donor restriction. Temporary restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are placed in service. Gifts of property and equipment are recognized as without donor restriction unless explicit donor stipulations specify how the assets must be used or how long the assets must be held, in which case the gift is recorded as contributions with donor restrictions. Expirations of temporary restrictions (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions. Contributions which are received and whose restrictions are met in the same period are recognized as contributions without donor restrictions.

RSM US LLP and its partners and employees are the primary donors to the Foundation and account for approximately 86% and 92% of total contribution revenue for the years ended December 31, 2022 and 2021, respectively.

As of December 31, 2022 and 2021, contributions from RSM partners and employees donated via the YourCause giving platform made up 95% and 52% of the contributions receivable balance, respectively.

Cash and cash equivalents: The Foundation considers all highly liquid investments with an original maturity of three months or less when purchased, excluding cash and cash equivalent funds held in the Foundation's investment portfolio, to be cash and cash equivalents.

Investments and investment income: In accordance with ASU 2016-14, the Foundation records the investment return net of related investment expenses. Investments consist of cash and cash equivalents, mutual and exchange traded funds (fixed income, equity, real assets and alternatives), and certificates of deposit and are reported at fair market value in the statements of financial position. Realized gains and losses are computed on the average cost basis.

Grants and program services: Grants and program services represent amounts awarded to various not-for-profit organizations to assist with funding of general operations or special programs. Grants and program services payable consist of unconditional amounts awarded, but not paid, to not-for-profit organizations. Grants to be paid after one year are discounted to net present value. Grants dependent on the occurrence of a specified and uncertain event are not recognized until the conditions on which they depend are substantially met.

At December 31, 2022 and 2021, grants and program services payable totaled \$768,452 and \$1,175,322, respectively. All grants and program services payable are expected to be paid within one year from the statement of financial position date.

Functional allocation of expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Costs are allocated between general and administrative and grants and program services based on evaluation of the specific expense and related activities. General and administrative expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Foundation.

Functional allocation of expenses may also include fundraising and development costs, but the Foundation had no fundraising and development costs for the years ended December 31, 2022 or 2021.

Donated services: A number of volunteers have donated significant time to the Foundation's program services and its fundraising campaigns, which have not been reflected in the accompanying financial statements because the recognition criteria was not met. Donated services meeting the recognition criteria are disclosed in Note 3.

RSM US Foundation

Notes to Financial Statements

Agency transactions: The Foundation follows the ASC Topic, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*. This guidance requires the Foundation to account for assets received from a resource provider for the benefit of another not-for-profit organization or other specified beneficiary as an increase in liabilities concurrent with its recognition of cash and/or other financial asset(s).

Income taxes: The Foundation is exempt from federal income tax under Section 501(a) as an organization described in Section 501(c)(3) of the Internal Revenue Code. Generally, all revenue earned outside the purpose for which the Foundation is created is taxable as earned income.

Accounting for uncertain tax positions: The ASC provides guidance for how uncertain tax positions should be recognized, measured, disclosed and presented in the financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Foundation's tax return to determine whether the tax positions are more-likely-than-not of being sustained when challenged or when examined by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense and liability in the current year. Management has determined that there are no material uncertain income tax positions.

Concentration of credit risk: The Foundation's financial instruments that are exposed to concentrations of credit risk consist of cash and cash equivalents and investments. The Foundation keeps its cash with high-quality financial institutions. At times, cash and cash equivalent balances maintained at these financial institutions may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risk on cash or cash equivalents. All of the Foundation's investments are held in custody by one broker dealer. The Foundation monitors the financial performance and other relevant information of its custodian and does not believe it is exposed to significant credit risk on this arrangement.

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 disclosed 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.

Significant estimates: Estimates particularly susceptible to significant change include the valuation of marketable securities. The Foundation's investment portfolio is exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with these financial instruments, 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 amounts reported in the statements of financial position. Significant fluctuations in fair value could occur from year to year, and the amounts the Foundation will ultimately realize could differ materially.

Fair value measurements: The Foundation follows ASC Topic 820, *Fair Value Measurements*, which provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The inputs to the three levels of the fair value hierarchy under Topic 820 are described as follows:

RSM US Foundation

Notes to Financial Statements

- Level 1:** Unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access at the measurement date.
- Level 2:** Inputs are other than quoted prices included in Level 1 that are observable for the asset or liability through corroboration with market data at the measurement date.
- Level 3:** Unobservable and significant to the fair value measurement.

The 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.

Recently issued accounting pronouncements: In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct writedown. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of income as the amounts expected to be collected change. ASU 2016-13 is effective for the Foundation's year ending December 31, 2023. The Foundation is currently evaluating the impact of adopting this new guidance on its financial statements and does not expect the impact to be significant.

Note 2. Fair Value Measurements

The Foundation's board is responsible for the overall management of the Foundation's investments, including hiring and termination of investment managers, advisors, consultants, and custodians and for evaluating and selecting asset allocations and specific investments. The board is also responsible for reviewing the accuracy and the adequacy of information provided by its specialists.

The methods and assumption used to estimate the fair value of assets measured at fair value, including a description of the methodologies used for their classifications within the fair value hierarchy, are as follows:

Investments: All of the Foundation's investments are in cash and cash equivalents and marketable securities. Fair market values are based on quoted market prices as provided by nationally recognized pricing services. The Foundation has no investments classified as Level 2 or Level 3 at December 31, 2022 and 2021.

RSM US Foundation

Notes to Financial Statements

The following table sets forth the Foundation's assets that are measured and recognized at fair value on a recurring basis as of December 31, 2022, under the appropriate level of the fair value hierarchy:

	Total	Level 1	Level 2	Level 3
Investments:				
Cash and cash equivalent funds	\$ 907,671	\$ 907,671	\$ -	\$ -
Mutual funds:				
Global fixed income	3,481,806	3,481,806	-	-
Global equity	6,018,076	6,018,076	-	-
Real assets	816,551	816,551	-	-
Total mutual funds	10,316,433	10,316,433	-	-
Total investments at fair value	\$ 11,224,104	\$ 11,224,104	\$ -	\$ -

The following table sets forth the Foundation's assets that are measured and recognized at fair value on a recurring basis as of December 31, 2021, under the appropriate level of the fair value hierarchy:

	Total	Level 1	Level 2	Level 3
Investments:				
Cash and cash equivalent funds	\$ 42,371	\$ 42,371	\$ -	\$ -
Mutual and exchange traded funds:				
Global fixed income	3,573,489	3,573,489	-	-
Global equity	6,012,949	6,012,949	-	-
Real assets	920,212	920,212	-	-
Total mutual and exchange traded funds	10,506,650	10,506,650	-	-
Total investments at fair value	\$ 10,549,021	\$ 10,549,021	\$ -	\$ -

The Foundation has no liabilities carried at fair value on a recurring basis and no assets or liabilities carried at fair value on a non-recurring basis at December 31, 2022 or 2021.

Note 3. Non-cash contributions consist of the following:

	2022	2021
Administrative services - related party	\$ 25,000	\$ 25,000
Total	\$ 25,000	\$ 25,000

RSM US Foundation

Notes to Financial Statements

Note 4. Liquidity and Availability

The following reflects the Foundation's financial assets as of December 31, 2022 and 2021 reduced by amounts not available for general expenditures within one year.

	2022	2021
Cash and cash equivalents	\$ 1,855,097	\$ 3,306,794
Contributions receivable	808,844	65,089
Investments	11,224,104	10,549,021
Financial assets at December 31	13,888,045	13,920,904
Less: Amounts designated by the board for investment	(11,224,104)	(10,549,021)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,663,941</u>	<u>\$ 3,371,883</u>

Generally, the Foundation maintains cash and cash equivalents (classified as cash and cash equivalents or investments in the statement of financial position), in amounts sufficient to cover general expenditures for the next twelve months. Annually, the board evaluates the Foundation's resources and may designate additional funds for investment with the Foundation's broker dealer (i.e., mutual fund portfolio and some cash and cash equivalents). Amounts designated by the board for investment are not available for spending without approval by the board. As all or substantially all, of the Foundation's contributions are received without donor-imposed restrictions, all financial assets, except those designated by the board for investment are available to meet general expenditure cash needs.

Note 5. Subsequent events

Management has evaluated subsequent events through October 30, 2023, the date the financial statements were available to be issued. There were no subsequent events requiring recognition or disclosure.