

**BIG SHOULDERS FUND**  
**FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

BIG SHOULDERS FUND  
Chicago, Illinois

FINANCIAL STATEMENTS  
June 30, 2020 and 2019

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## INDEPENDENT AUDITOR'S REPORT

The Executive Committee  
Big Shoulders Fund  
Chicago, Illinois

**Report on the Financial Statements**

We have audited the accompanying financial statements of Big Shoulders Fund (the "Fund"), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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(Continued)

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Big Shoulders Fund as of June 30, 2020 and 2019, 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.

**Emphasis of Matter**

As discussed in Note 2 to the financial statements, the Fund has adopted Accounting Standards Update ASU 2018-08 – *Not-for-Profit Entitles (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

*Crowe LLP*

Crowe LLP

Chicago, Illinois  
December 14, 2020

BIG SHOULDERS FUND  
STATEMENTS OF FINANCIAL POSITION  
June 30, 2020 and 2019

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	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 18,413,314	\$ 17,168,749
Investments:		
Investments attributable to endowments	34,867,877	36,246,429
Other investments	<u>14,734,914</u>	<u>14,490,588</u>
Total investments	<u>49,602,791</u>	<u>50,737,017</u>
Pledges receivable, net	23,104,711	21,910,562
Fixed assets, net	84,116	63,298
Other assets	<u>98,034</u>	<u>114,380</u>
Total	<u>\$ 91,302,966</u>	<u>\$ 89,994,006</u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 857,026	\$ 498,462
Payroll Protection Program loan	645,588	-
Deferred revenue	2,108,840	220,100
Agency payables	5,473,590	5,681,827
Grants payable, net	<u>1,855,990</u>	<u>1,993,654</u>
Total liabilities	<u>10,941,034</u>	<u>8,394,043</u>
<b>NET ASSETS</b>		
Without donor restrictions	24,620,686	26,932,699
With donor restrictions	<u>55,741,246</u>	<u>54,667,264</u>
Total net assets	<u>80,361,932</u>	<u>81,599,963</u>
Total	<u>\$ 91,302,966</u>	<u>\$ 89,994,006</u>

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See accompanying notes to financial statements.

BIG SHOULDERS FUND  
STATEMENT OF ACTIVITIES  
For the year ended June 30, 2020

	2020		<u>Total</u>
	<u>Without Donor Retrictions</u>	<u>With Donor Restrictions</u>	
<b>Changes in net assets - operating</b>			
<b>Public support and other revenue</b>			
Contributions	\$ 9,071,137	\$ 22,129,699	\$ 31,200,836
Less amounts designated to other organizations by donors	-	(7,435,966)	(7,435,966)
Fund-raising events revenue, net	<u>450,425</u>	<u>-</u>	<u>450,425</u>
Total public support and event revenue	<u>9,521,562</u>	<u>14,693,733</u>	<u>24,215,295</u>
Interest income	307,824	-	307,824
Endowment earnings used for programs and operations	1,083,514	618,094	1,701,608
Net assets released from restrictions	<u>13,788,830</u>	<u>(13,788,830)</u>	<u>-</u>
Net contributions and other revenue available for operations	<u>24,701,730</u>	<u>1,522,997</u>	<u>26,224,727</u>
<b>Expenses</b>			
Program expense	23,682,879	-	23,682,879
Management expense	1,430,425	-	1,430,425
Fund-raising expense	<u>913,713</u>	<u>-</u>	<u>913,713</u>
Total expenses	<u>26,027,017</u>	<u>-</u>	<u>26,027,017</u>
<b>Other changes in net assets - operating</b>			
Loss on uncollectible accounts and rescinded pledges	<u>-</u>	<u>-</u>	<u>-</u>
Changes in net assets - operating	<u>(1,325,287)</u>	<u>1,522,997</u>	<u>197,710</u>
<b>Changes in net assets - non-operating</b>			
Contributions	-	67,580	67,580
Net investment return - non-operating	96,788	101,499	198,287
Less endowment earnings used for programs and operations	<u>(1,083,514)</u>	<u>(618,094)</u>	<u>(1,701,608)</u>
Changes in net assets - non-operating	<u>(986,726)</u>	<u>(449,015)</u>	<u>(1,435,741)</u>
Changes in net assets	(2,312,013)	1,073,982	(1,238,031)
Net assets at beginning of year	<u>26,932,699</u>	<u>54,667,264</u>	<u>81,599,963</u>
<b>Net assets at end of year</b>	<u>\$ 24,620,686</u>	<u>\$ 55,741,246</u>	<u>\$ 80,361,932</u>

See accompanying notes to financial statements.

BIG SHOULDERS FUND  
STATEMENT OF ACTIVITIES  
For the year ended June 30, 2019

	2019		<u>Total</u>
	<u>Without Donor Retrictions</u>	<u>With Donor Restrictions</u>	
<b>Changes in net assets - operating</b>			
<b>Public support and other revenue</b>			
Contributions	\$ 5,219,630	\$ 30,595,109	\$ 35,814,739
Less amounts designated to other organizations by donors	-	(5,970,177)	(5,970,177)
Fund-raising events revenue, net	<u>627,843</u>	<u>-</u>	<u>627,843</u>
Total public support and event revenue	<u>5,847,473</u>	<u>24,624,932</u>	<u>30,472,405</u>
Interest income	334,237	-	334,237
Endowment earnings used for programs and operations	1,033,720	566,935	1,600,655
Net assets released from restrictions	<u>9,565,995</u>	<u>(9,565,995)</u>	<u>-</u>
Net contributions and other revenue available for operations	<u>16,781,425</u>	<u>15,625,872</u>	<u>32,407,297</u>
<b>Expenses</b>			
Program expense	16,119,509	-	16,119,509
Management expense	1,496,524	-	1,496,524
Fund-raising expense	<u>901,197</u>	<u>-</u>	<u>901,197</u>
Total expenses	<u>18,517,230</u>	<u>-</u>	<u>18,517,230</u>
<b>Other changes in net assets - operating</b>			
Loss on uncollectible accounts and rescinded pledges	<u>-</u>	<u>(22,350)</u>	<u>(22,350)</u>
Changes in net assets - operating	<u>(1,735,805)</u>	<u>15,603,522</u>	<u>13,867,717</u>
<b>Changes in net assets - non-operating</b>			
Contributions	-	130,000	130,000
Net investment return - non-operating	1,462,149	717,165	2,179,314
Less endowment earnings used for programs and operations	<u>(1,033,720)</u>	<u>(566,935)</u>	<u>(1,600,655)</u>
Changes in net assets - non-operating	<u>428,429</u>	<u>280,230</u>	<u>708,659</u>
Changes in net assets	(1,307,376)	15,883,752	14,576,376
Net assets at beginning of year	<u>28,240,075</u>	<u>38,783,512</u>	<u>67,023,587</u>
<b>Net assets at end of year</b>	<u>\$ 26,932,699</u>	<u>\$ 54,667,264</u>	<u>\$ 81,599,963</u>

See accompanying notes to financial statements.

BIG SHOULDERS FUND  
STATEMENTS OF CASH FLOWS  
For the years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities</b>		
Change in net assets (total operating and non-operating activities)	\$ (1,238,031)	\$ 14,576,376
Adjustments to reconcile change in net assets to net cash flow used in operating activities:		
Net investment losses (gains)	69,125	(1,721,920)
Depreciation expense	19,582	25,686
Contributions of fixed assets	(40,400)	-
Contributions for permanent endowment fund	(67,580)	(130,000)
Changes in assets and liabilities:		
Pledges receivable	(1,194,149)	(9,198,346)
Other assets	16,346	35,817
Accounts payable and accrued expenses	358,564	101,317
Deferred revenue	1,888,740	50,400
Agency payable	(208,237)	(1,992,039)
Grants payable	<u>(137,664)</u>	<u>(1,945,164)</u>
Net cash flow used in operating activities	(533,704)	(197,873)
 <b>Cash flows from investing activities</b>		
Purchases of investments	(11,848,409)	(15,005,372)
Proceeds from sales of investments	<u>12,913,510</u>	<u>14,945,384</u>
Net cash flow provided by (used in) investing activities	1,065,101	(59,988)
 <b>Cash flows from financing activities</b>		
Proceeds from Paycheck Protection Program loan	645,588	-
Contributions for permanent endowment fund	<u>67,580</u>	<u>130,000</u>
Net cash flow provided by financing activities	<u>713,168</u>	<u>130,000</u>
 <b>Change in cash and cash equivalents</b>	1,244,565	(127,861)
Cash and cash equivalents at beginning of year	<u>17,168,749</u>	<u>17,296,610</u>
 <b>Cash and cash equivalents at end of year</b>	<u>\$ 18,413,314</u>	<u>\$ 17,168,749</u>

See accompanying notes to financial statements.



BIG SHOULDERS FUND  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020 and 2019

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**NOTE 1 - NATURE OF OPERATIONS**

Big Shoulders Fund (the “Fund”) is an independent 501(c)(3) corporation established in 1986. The Fund provides support to schools in the neediest areas of Chicagoland and, beginning in October 2019 in Northwest Indiana. The funds raised by Big Shoulders Fund are used for student scholarships, academic enrichment programs, teacher and leadership development, and operating grants. Serving children from all backgrounds, the Big Shoulders Fund schools are seen as anchors in their communities and in the lives of the families they serve. The Fund seeks to offer children and their parents the choice of quality, values-based education in a safe and structured environment.

These financial statements reflect the financial position, changes in net assets, and cash flows of the Fund. The Archdiocese of Chicago and the Diocese of Gary, Indiana together with their respective schools are separate and distinct organizations whose activities are not reflected in these financial statements.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting: The financial statements of the Fund are prepared on the accrual basis of accounting.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“US GAAP”) 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Operations: The Fund classifies changes in net assets as either operating or non-operating activity. Non-operating activity includes endowment contributions, returns on long-term investments and endowments in excess of amounts used or appropriated for use in programs and operations, and other infrequent changes in net assets. Operating activity includes all other activity not classified as non-operating. For purposes of the Statement of Cash Flow only, “operating activities” refers to the changes both in operating and non-operating net assets.

Contributions: Unconditional contributions with a readily determinable fair value are reflected in the financial statements at the time contributions are received. Conditional gifts, with a barrier and right of return, are not recognized until the conditions on which they depend are met or explicitly waived by the donor. Multi-year pledges are recorded at the risk-adjusted present value of their expected future payments. Contributions received with donor-imposed restrictions that are met in the same year as the contributions are received are reported as revenue with donor restriction and released from restriction in the same period.

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(Continued)

BIG SHOULDERS FUND  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020 and 2019

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Contributions designated by donors for use by specific beneficiaries/other organizations are known as agency transactions. Current US GAAP requires the exclusion of these receipts from revenue. However, in order to present the full results of the Fund's fundraising efforts, which includes these transactions, they are included along with other contributions received by the Fund on the Statement of Activities and are then presented as a reduction of gross contribution revenue in the same period the contribution revenue is recognized. On the Statement of Financial Position they are recorded as liabilities of the Fund. Expenditures made as result of agency transactions reduce these liabilities when the payment is made.

Fundraising Events: The Fund holds several fundraising events each year. In conjunction with these events, the Fund may receive event contributions or event revenue. The Fund defines event contributions as payments for which the donor receives no goods or services of value in return.

The Fund defines event revenue as payments for which the donor receives something of value in return, such as dinner, foursomes at a golf outing, auction items, etc. "Fundraising events revenue, net" on the statements of activities represents event revenue, as defined above, less direct event expenses.

Functional Expenses: Operating expenses directly identified with a functional area (program, management or fundraising) are charged to that area. When expenses affect more than one area, they are allocated on the basis of employee hours or other relevant means.

Program Expenses: Unconditional grants are recognized as expenses during the period in which they are authorized by the Fund's Executive Committee. Unconditional grants payable that are due in future years are recorded at the present value of their expected future payments. Scholarships are recognized as expenses during the period in which they are authorized by the Fund's Executive Committee and paid. Conditional grants are recognized when conditions are substantially met.

Cash and Cash Equivalents: Cash equivalents are defined as all highly liquid debt instruments with original maturities of three months or less, which are not part of investments. The Fund maintains cash balances at certain financial institutions in excess of the insurance limits provided by the Federal Deposit Insurance Corporation. The Fund has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Investments: Investments in marketable securities with readily determinable fair values are valued primarily from quoted market prices, where available, or quoted market prices of comparable instruments, where prices are not available. For other investments for which there is no active market, fair values are based on valuations determined by the investment managers using net asset values or equivalents ("NAV"). The NAVs of the investment funds are determined on the accrual basis of accounting in conformity with US GAAP. The investment managers utilize standard valuation procedures and policies to assess the fair value of the underlying investment holdings to derive NAV. Unrealized gains and losses are included in the change in net assets net of investment fees. See Note 3 for further disclosures.

Pledges and Other Receivables: Pledges receivable are recorded at the time an unconditional promise to give is received by the Fund. Other receivables are recorded at the time an obligation to the Fund is incurred. Conditional pledges are not recorded until the conditions are met. Unconditional pledges designated by donors for use by a specific beneficiary (agency transactions) are not recorded as assets or liabilities of the Fund at the time the pledge is made. They are, however, included on the statement of activities in gross contribution revenue and the corresponding reduction of contribution revenue in the same manner as other agency transactions. Future collections on these pledges increase liabilities of the Fund.

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(Continued)

BIG SHOULDERS FUND  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020 and 2019

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fixed Assets: Donated furniture and leasehold improvements are recorded at fair value as of the date of gift. Purchased fixed assets are recorded at cost. Furniture and equipment are being depreciated on a straight-line method over their estimated useful life. Leasehold improvements are being depreciated on a straight-line method over the lease term. Long-lived assets, such as furniture and leasehold improvements, are reviewed for impairment whenever events or changes in circumstances indicate that the fair value of an asset may be less than its carrying value. This loss would be recorded if it is not recoverable.

Deferred Revenue: Deferred revenue consists of payments received in advance of the annual golf outing that is held during August of each year and the annual social fund-raiser held in the Fall of each year.

Net Assets: The Fund classifies net assets as follows:

*Without Donor Restrictions* - Net assets which are free of donor-imposed restrictions; all revenue, expenses, gains, and losses that are not changes in with donor restrictions net assets. For the Fund, this category includes contributions and investment income not related to with donor restriction endowments, and all program, fundraising, and management expenses.

*With Donor Restrictions* - Net assets whose use by the Fund is limited by donor-imposed restrictions that either expire by the passage of time or can be removed by the fulfillment of the stipulated purpose for which the donation was restricted. Also, net assets donated with stipulations that they be invested to provide a permanent source of income (e.g., endowment funds); such restrictions neither can expire with the passage of time nor be removed by the fulfillment of a stipulated purpose. All with donor restricted funds are restricted for scholarships, grants and program expenses benefitting students and schools served by the Fund.

Accounting Pronouncements: In June 2018, Financial Accounting Standards Board ("FASB"), issued Accounting Standards Update ("ASU") 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendment also provided additional guidance for the determination of whether a contribution is conditional. The Fund adopted this ASU for the year ended June 30, 2020.

The Fund implemented ASU 2018-08 using a modified prospective method of application. There were no material changes to the recognition or presentation of revenue as a result of the application of ASU 2018-08.

In May 2014, the FASB issued (ASU) 2014-09, *Revenue from Contracts with Customers: Topic 606*. This ASU affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards. This ASU will supersede the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in this ASU are effective retrospectively for fiscal years beginning after December 15, 2019. The Fund has not yet implemented this ASU and is in the process of assessing the effect on the Fund's financial statements.

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous US GAAP. For non-public business entities, the amendments in ASU 2016-02 are effective for fiscal years beginning after December 15, 2022. The Fund has not yet implemented this ASU and is in the process of assessing the effect on the Fund's financial statements.

**NOTE 3 - INVESTMENTS AND INVESTMENT RETURN**

Certain investments are accounted for at fair value using a three-tier framework based on various inputs. The hierarchy of inputs utilized by the Fund for classifying investments is summarized below:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date. Investments in this category for the Fund consist of publicly traded stocks, mutual funds or corporate bonds with quoted prices on nationally recognized securities exchanges.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data. Investments in this category for the Fund consist of corporate bonds which may not currently have active markets and certificates of deposit.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability. The Fund currently has no investments classified at Level 3.

Other investments which are valued using the practical expedient of the Net Asset Value ("NAV") as determined by the investment manager are not categorized by level.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy. The categorization of an investment within the hierarchy is therefore based on price transparency and is not necessarily an indication of risk or liquidity associated with these investments.

Investments that are not publicly traded may not be readily marketable, and their estimated value is subject to uncertainty. Therefore, there may be a material difference between their estimated value and the value that would have been used had a readily determinable fair value for such investments existed.

The Fund relies on information provided by fund managers to determine the fair value of investments using the Net Asset Value. The Fund reviews the performance of investments at least quarterly with its investment consultant, including (1) comparisons of investment returns to relevant benchmarks, (2) comparison of annual results reported on periodic management statements to audited financial statements, and (3) periodic review of management of fund managers, including personal meetings or telephone conferences with fund representatives and review of any commentary presented by fund managers. The Fund believes its reliance on the investment fund managers' estimates of fair value for non-publicly traded investments is appropriate.

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(Continued)

BIG SHOULDERS FUND  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020 and 2019

**NOTE 3 - INVESTMENTS AND INVESTMENT RETURN (Continued)**

Investments are the only asset currently measured at fair value on a recurring basis. There are no liabilities currently measured at fair value on a recurring basis. Investments are summarized below:

<u>Type of Investment</u>	<u>Level 1</u>	<u>Level 2</u>	<u>NAV</u>	<u>Total</u>	<u>Percent of Total</u>
<u>2020</u>					
Large cap equity funds	\$ 5,825,599	\$ -	\$ 6,101,343	\$ 11,926,942	24.0%
Small cap equity funds	1,044,288	-	1,894,180	2,938,468	5.9%
International equity - developed markets funds	3,024,744	-	3,214,482	6,239,226	12.6%
International equity - emerging markets funds	-	-	4,265,856	4,265,856	8.6%
Hedged equity funds	-	-	6,060,848	6,060,848	12.2%
Absolute return funds	-	-	5,985,315	5,985,315	12.1%
Alternative fixed income fund	-	-	1,164,470	1,164,470	2.3%
Private equity	-	-	513,999	513,999	1.0%
Fixed income	<u>5,652,096</u>	<u>4,855,571</u>	<u>-</u>	<u>10,507,667</u>	<u>21.2%</u>
 Total investments	 <u>\$ 15,546,727</u>	 <u>\$ 4,855,571</u>	 <u>\$ 29,200,493</u>	 <u>\$ 49,602,791</u>	 <u>100%</u>
 Percent of total	 31.3%	 9.8%	 58.9%	 100.0%	

<u>Type of Investment</u>	<u>Level 1</u>	<u>Level 2</u>	<u>NAV</u>	<u>Total</u>	<u>Percent of Total</u>
<u>2019</u>					
Large cap equity funds	\$ 8,182,866	\$ -	\$ 3,084,735	\$ 11,267,601	22.2%
Small cap equity funds	782,313	-	2,154,275	2,936,588	5.8%
International equity - developed markets funds	3,383,194	-	3,167,951	6,551,145	12.9%
International equity - emerging markets funds	-	-	4,313,668	4,313,668	8.5%
Hedged equity funds	-	-	5,421,114	5,421,114	10.7%
Absolute return funds	-	-	5,517,572	5,517,572	10.9%
Alternative fixed income fund	-	-	1,143,579	1,143,579	2.3%
Private equity	-	-	153,945	153,945	0.3%
Fixed income	<u>7,851,606</u>	<u>5,580,199</u>	<u>-</u>	<u>13,431,806</u>	<u>26.5%</u>
 Total investments	 <u>\$ 20,199,979</u>	 <u>\$ 5,580,199</u>	 <u>\$ 24,956,839</u>	 <u>\$ 50,737,017</u>	 <u>100%</u>
 Percent of total	 39.8%	 11.0%	 49.2%	 100.0%	

Transfers between levels due to changes in inputs are considered to take place at the end of the reporting period. There were no transfers between levels during 2020 or 2019.

The Fund has unfunded commitments of \$4,870,000 and \$4,160,000 for investments at June 30, 2020 and 2019, respectively.

(Continued)

BIG SHOULDERS FUND  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020 and 2019

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**NOTE 3 - INVESTMENTS AND INVESTMENT RETURN** (Continued)

Investments, except for certain designated investments, are managed on a pooled basis, using a unit method to allocate both values and earnings. Investment totals, and net investment return consisted of the following for the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Investments allocable to endowments	\$ 34,867,877	\$ 36,246,429
General investments of the Fund	<u>14,734,914</u>	<u>14,490,588</u>
 Total Investments	 <u>\$ 49,602,791</u>	 <u>\$ 50,737,017</u>
 Investment gain allocable to endowments	 \$ 255,476	 \$ 1,792,220
Investment (loss) gain allocable to general investments	<u>(57,189)</u>	<u>387,094</u>
 Total investment gain	 <u>\$ 198,287</u>	 <u>\$ 2,179,314</u>

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(Continued)

BIG SHOULDERS FUND  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 3 - INVESTMENTS AND INVESTMENT RETURN (Continued)**

The following tables summarize the basic strategies of each investment and also disclose related information regarding valuation methods and redemption restrictions for the years ended 2020 and 2019. Investments may be investment funds, or investments in individual equity or debt instruments. See the key following the tables for a more complete description of each column.

**Investment Strategies and Selected Investment Information - 2020**

Investment/Strategy	Fair Value 2020	Level/NAV 2020	Redemption Date(s)	Redemption Notice	Lock-up Date	Gate allowed?	Gate imposed?	Side Pockets allowed?	Side Pocket alloc.?	Estimated Final Liquidation
Large Cap Equity Mutual Fund, generally US growth stocks	3,029,301	1	Daily	None	No	No	No	No	No	
Large Cap Equity Mutual Fund, generally US stocks	2,796,298	1	Daily	None	No	No	No	No	No	
Large Cap Equity Fund, concentrated long only equity strategy	3,552,246	NAV	Qtr End	30 days	No	Yes	No	No	No	
Large Cap Equity Fund, invest in high quality companies characterized by consistently reliable and attractive earnings streams, favoring companies whose economics are largely independent of the business cycle	2,549,097	NAV	Monthly	30 days	No	No	No	No	No	
Small Cap Equity Mutual Fund, holds 25 high quality small to mid-cap growth stocks that are conviction weighted based on bottom-up, fundamental research.	1,044,288	1	Daily	None	N/A	No	No	No	No	
Small Cap Equity Fund, specific industry sector stocks only	45,690	NAV	3/31, 9/30	30 days	No	No	No	No	No	
Small Cap Equity Fund, concentrated value-based equity strategy focusing on companies with a market capitalization of \$1 to \$12.5 billion	1,848,490	NAV	Monthly	30 days	No	No	No	No	No	
International Equity, individual stocks	3,024,744	1	Daily	4 days	No	No	No	No	No	
International Equity, generally international stocks	1,530,951	NAV	Mon End	30 days	No	Yes	No	No	No	
International Equity, all markets	1,683,531	NAV	Mon End	5 days	No	Yes	No	Yes	No	
International Equity, Asia only	2,651,826	NAV	Mon End	30 days	No	No	No	No	No	
International Equity Fund, generally specific geographical area	1,614,030	NAV	Weekly	5 days	No	No	No	No	No	
Hedged Equity Fund, generally stocks	6,049,279	NAV	5/1	45 days	No	Yes	No	No	No	
Hedged Equity Fund, in liquidation	11,569	NAV	N/A	N/A	No	N/A	No	n/a	No	5 years +
Absolute Return Fund, event driven debt and equity investments	1,805,130	NAV	Qtr End	65 days	No	Yes	No	Yes	No	
Absolute Return Fund, global investments with low correlation to equity markets	1,726,789	NAV	Mon End	60 days	No	Yes	No	No	No	
Absolute Return Fund, stressed corporate debt, distressed corporate debt, deep value and special situation equities, and low loan-to-value high yield debt	1,044,058	NAV	N/A	N/A	N/A	25%, investor-level	No	No	No	
Absolute Return Fund, primarily invest in credit, loans, and high yield, but can also invest in equity and derivatives.	1,409,338	NAV	Annual	90 days	N/A	No	No	Yes	Up to 30% of assets	
Alternative Fixed Income Fund, event driven debt and equity investments	336,151	NAV	N/A	N/A	No withdrawal allowed. Initial term of 3 years for investments, with 1 year possible extension, 2 year harvesting period with 2 years possible extension					
Alternative Fixed Income Fund, event driven debt and equity investments	481,527	NAV	N/A	N/A	No withdrawal allowed. Initial term of 3 years for investments, with 1 year possible extension, 2 year harvesting period with 2 years possible extension					
Alternative Fixed Income Fund, structured credit in real estate and corporate debt	346,792	NAV	N/A	N/A	The initial term of the fund expired on 11/30/16. The fund is subject to two additional one year extensions, both of which have already been approved. The fund is currently making distributions of return of capital. Estimated final liquidation date is unknown.					
Private Equity, secondary market	156,771	NAV	N/A	N/A	No withdrawal allowed. Initial term of 5 years for investments, with 2 1-year possible extensions. End date not specified					
Private Equity, secondary market	222,612	NAV	N/A	N/A	No withdrawal allowed. Initial term of 10 years, with 3 1-year possible extensions.					
Private Equity, secondary market	134,616	NAV	N/A	N/A	No withdrawal allowed. 10 years from the initial close plus 3, 1 year extensions at the discretion of the general partner.					
Fixed Income Mutual Fund, short/intermediate high quality debt instruments	2,147,844	1	Daily	None	No	No	No	No	No	
Federal Money Market Fund, which invests in U.S. government securities	3,504,252	1	Daily	None	N/A	No	No	No	No	
Fixed Income, individual corporate and government bonds	4,855,571	2	Daily	None	No	No	No	No	No	
<b>Total</b>	<b>\$ 49,602,791</b>									

(Continued)

BIG SHOULDERS FUND  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020 and 2019

**NOTE 3 - INVESTMENTS AND INVESTMENT RETURN (Continued)**

**Investment Strategies and Selected Investment Information – 2019**

Investment/Strategy	Fair Value 2019	Level/NAV 2019	Redemption Date(s)	Redemption Notice	Lock-up Date	Gate Allowed?	Gate Imposed?	Side Pockets Allowed?	Side Pocket Allocation?	Estimated Final Liquidation
Large Cap Equity Mutual Fund, generally US growth stocks	\$ 1,778,702	1	Daily	None	No	No	No	No	No	
Large Cap Equity Mutual Fund, generally US stocks	2,762,080	1	Daily	None	No	No	No	No	No	
Large Cap Equity Mutual Fund, generally US stocks	3,642,084	1	Daily	None	No	No	No	No	No	
Large Cap Equity Fund, concentrated long only equity strategy	3,084,735	NAV	Qtr End	30 days	No	Yes	No	No	No	
Small Cap Equity Mutual Fund, generally US stocks	782,313	1	Daily	5 days if over \$1 million	No	No	No	No	No	
Small Cap Equity Fund, specific industry sector stocks only	2,154,275	NAV	3/31, 9/30	30 days	No	No	No	No	No	
International Equity, individual stocks	3,383,194	1	Daily	4 days	No	No	No	No	No	
International Equity, generally international stocks	1,571,886	NAV	Month End	30 days	No	Yes	No	No	No	
International Equity, all markets	1,596,065	NAV	Month End	5 days	No	Yes	No	Yes	No	
International Equity, Asia only	2,709,272	NAV	Month End	30 days	No	No	No	No	No	
International Equity Fund, generally specific geographical area	1,604,396	NAV	Weekly	5 days	No	No	No	No	No	
Hedged Equity Fund, generally stocks	5,401,840	NAV	5/1	45 days	No	Yes	No	No	No	
Hedged Equity Fund, in liquidation	19,274	NAV	N/A	N/A	No	N/A	No	n/a	No	5 years +
Absolute Return Fund, event driven debt and equity investments	1,795,450	NAV	Qtr End	65 days	No	Yes	No	Yes	No	
Absolute Return Fund, global investments with low correlation to equity markets	1,087,358	NAV	Mon End	60 days	No	Yes	No	No	No	
Absolute Return Fund, stressed corporate debt, distressed corporate debt, deep value and special situation equities, and low loan-to-value high yield debt	1,047,780	NAV	N/A	N/A	No	25%, investor-level	No	No	No	
Absolute Return Fund, primarily invest in credit, loans, and high yield, but can also invest in equity and derivatives.	1,586,984	NAV	Annual	90 days	No	No	No	Yes	Up to 30% of assets	
Alternative Fixed Income Fund, event driven debt and equity investments	735,128	NAV	N/A	N/A	No withdrawals allowed. Initial term of 3 years for investments, with 1 year possible extension, 2 year harvesting period with 2 years possible extension.					
Alternative Fixed Income Fund, structured credit in real estate and corporate debt	408,451	NAV	N/A	N/A	The initial term of the fund expired on 11/30/16. The fund is subject to two additional one year extensions, both of which have already been approved. The fund is currently making distributions of return of capital. Estimated final liquidation date is unknown.					
Private Equity, secondary market	61,330	NAV	N/A	N/A	No withdrawals allowed. Initial term of 5 years for investments, with 2 1-year possible extensions. End date not specified.					
Private Equity, secondary market	92,615	NAV	N/A	N/A	No withdrawals allowed. Initial term of 10 years, with 3 1-year possible extensions.					
Fixed Income Mutual Fund, short/intermediate high quality debt instruments	2,046,472	1	Daily	None	No	No	No	No	No	
Federal Money Market Fund, which invests in U.S. government securities	5,805,134	1	Daily	None	No	No	No	No	No	
Fixed Income, individual corporate and government bonds	5,580,199	2	Daily	None	No	No	No	No	No	
Total	\$ 50,737,017									

(Continued)



BIG SHOULDERS FUND  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020 and 2019

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**NOTE 3 - INVESTMENTS AND INVESTMENT RETURN (Continued)**

Key:

Level / NAV: Indicates the classification Level (1, 2, or 3), within the fair value framework at which the investment is reported based on the valuation techniques used or that the investment is valued using the NAV as determined by the investment manager.

Redemption Date(s): The date(s) on which the Fund has the ability to request a redemption from the individual fund manager.

Redemption Notice: The number of days' notice in advance the Fund must give the individual fund manager prior to the redemption date.

Lock-up Date: The earliest date that the Fund can request a redemption from an individual fund manager due to restrictions imposed by the manager on new or renewed investments.

Gate Allowed?: Can the individual fund manager restrict redemptions from their fund (generally due to excessive redemption requests by investees at any one date)?

Gate Imposed?: As discussed above, was a gate imposed as of June 30, 2020 or 2019?

Side Pockets Allowed?: Does the individual fund manager have the ability to allocate specific illiquid or other investments in their portfolio to individual investees?

Side Pockets Allocated?: As discussed above, have any such illiquid assets been allocated as of June 30, 2020 or 2019?

Estimated Final Liquidation: The estimated time frame for total liquidation of an investment, based on the fund manager's projections, or the expected redemption date for investments for which redemption requests have been submitted.

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(Continued)

BIG SHOULDERS FUND  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020 and 2019

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**NOTE 4 - ENDOWMENTS**

The Fund's endowment consists of both donor-restricted endowment funds and funds designated by the Executive Committee to function as endowments. Depending on the source of the fund, earnings may be restricted or designated for use in scholarships, programs, or for the general use of the Fund.

Net assets associated with endowment funds, including funds internally designated by the Executive Committee to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of Illinois has adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Executive Committee of the Fund has interpreted UPMIFA for accounting purposes 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 Fund classifies as with donor restrictions net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in with donor restrictions net assets is classified as with donor restrictions net assets until those amounts are appropriated for expenditure by the Fund in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Fund has adopted an investment policy that states that the long-term goal is to preserve and grow the purchasing power of the endowment without taking on unnecessary downside risk. The specific objectives of the management of investments are: 1) up to a 5% payout for expenses; 2) a need for growth at the rate of 5% on a real (net of inflation) basis; and 3) preservation of principal. The Fund utilizes a total return strategy whereby it is portfolio total risk and total return that matters. The Fund has set goals for investing in and maintaining diverse asset classes which balance expected returns, both for current income and long-term appreciation, and risk tolerance. Actual returns and allocations in any given year may vary from expected goals.

The annual spending policy of the Fund is to utilize a percentage of the floating three-year average fair value of an individual fund as of June 30 in the following fiscal year. The utilization rate for endowments, both donor restricted and internally designated, with restrictions or designations as to use is 5%. The utilization rate for endowments, both donor restricted and internally designated, with no restrictions or designations as to use is 3% to 5%, based on the current needs of the Fund. The rate used in 2020 and 2019 for endowments with no restriction or designation as to use was 5%. Based on this policy, endowment earnings of \$1,701,608 and \$1,600,655 were appropriated for expenditure and used for operations for the years ended June 30, 2020 and 2019, respectively. Assets are considered appropriated for expenditure in the year for which the Executive Committee authorizes the actual expenditure.

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(Continued)

BIG SHOULDERS FUND  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020 and 2019

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**NOTE 4 - ENDOWMENTS** (Continued)

Endowments, which represent only a portion of investments, are composed of the following as of June 30, 2020 and 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>2020</u>			
Donor-restricted endowment funds and unappropriated earnings	\$ -	\$ 13,773,385	\$ 13,773,385
Internally-designated funds	<u>21,094,492</u>	<u>-</u>	<u>21,094,492</u>
 Total endowment funds	 <u>\$ 21,094,492</u>	 <u>\$ 13,773,385</u>	 <u>\$ 34,867,877</u>
 <u>2019</u>			
Donor-restricted endowment funds and unappropriated earnings	\$ -	\$ 14,223,062	\$ 14,223,062
Internally-designated funds	<u>22,023,367</u>	<u>-</u>	<u>22,023,367</u>
 Total endowment funds	 <u>\$ 22,023,367</u>	 <u>\$ 14,223,062</u>	 <u>\$ 36,246,429</u>

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Fund to retain as a fund of perpetual duration. Deficiencies of this nature that are in excess of related temporarily restricted amounts are reported in net assets without donor restriction. None of the fair values of individual funds were below historical cost at June 30, 2019 or 2020. UPMIFA does allow the expenditure of funds from these endowments if the Fund deems it prudent and the donor has not stated otherwise.

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(Continued)

BIG SHOULDERS FUND  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020 and 2019

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**NOTE 4 - ENDOWMENTS** (Continued)

Changes in endowment net assets for the years ended June 30, 2020 and 2019, are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Total endowment funds, June 30, 2018	\$ 21,978,099	\$ 14,342,981	\$ 36,321,080
New gifts	-	130,000	130,000
Funds released from endowment	-	(396,216)	(396,216)
Earnings appropriated for expenditure and used for programs and operations	(1,033,720)	(566,935)	(1,600,655)
Net investment return	<u>1,078,988</u>	<u>713,232</u>	<u>1,792,220</u>
Total endowment funds, June 30, 2019	22,023,367	14,223,062	36,246,429
New gifts	-	67,580	67,580
Earnings appropriated for expenditure and used for programs and operations	(1,083,514)	(618,094)	(1,701,608)
Net investment return	<u>154,639</u>	<u>100,837</u>	<u>255,476</u>
Total endowment funds, June 30, 2020	<u>\$ 21,094,492</u>	<u>\$ 13,773,385</u>	<u>\$ 34,867,877</u>

**NOTE 5 - PLEDGES RECEIVABLE**

For measurement purposes, discount rates between 0.66% and 4.32% are used to determine the present value of the pledges receivable, which includes an adjustment for risk premium. Aging and valuation at June 30, 2020 and 2019, are as follows:

	<u>2020</u>	<u>2019</u>
Due in		
Less than one year	\$ 6,871,127	\$ 5,646,777
Two to five years	12,516,200	10,995,656
More than five years	<u>6,864,300</u>	<u>8,513,600</u>
Gross pledges receivable	26,251,627	25,156,033
Less agency pledges	-	(1,500)
Less allowance for uncollectible pledges	(25,000)	(25,000)
Less discount to risk-adjusted present value	<u>(3,121,916)</u>	<u>(3,218,971)</u>
Pledges receivable, net	<u>\$ 23,104,711</u>	<u>\$ 21,910,562</u>

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(Continued)

BIG SHOULDERS FUND  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020 and 2019

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**NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are available for the following purposes for the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Funds restricted for scholarships and grants to schools	\$ 18,863,150	\$ 18,533,640
Pledges receivable, net	23,104,711	21,910,562
Donor-restricted endowment funds and unappropriated earnings	<u>13,773,385</u>	<u>14,223,062</u>
Total net assets with donor restrictions	<u>\$ 55,741,246</u>	<u>\$ 54,667,264</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by the donors.

**NOTE 7 - FIXED ASSETS**

Fixed assets are comprised of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Furniture and equipment	\$ 137,053	\$ 109,053
Vehicles	59,984	59,984
Leasehold improvements	<u>147,789</u>	<u>135,389</u>
Total fixed assets	344,826	304,426
Less allowance for depreciation	<u>(260,710)</u>	<u>(241,128)</u>
Fixed assets, net	<u>\$ 84,116</u>	<u>\$ 63,298</u>

The provision for depreciation of furniture, equipment, and leasehold improvements amounted to \$19,582 and \$25,686 for the years ended June 30, 2020 and 2019, respectively.

**NOTE 8 - SCHOLARSHIP GRANTING ORGANIZATION**

The Illinois Invest in Kids Act allows income tax credits for taxpayers who make authorized contributions to a Scholarship Granting Organization (SGO). The SGOs, in turn, provide scholarships for eligible Illinois students to attend qualified non-public schools in Illinois.

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(Continued)

BIG SHOULDERS FUND  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020 and 2019

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**NOTE 8 - SCHOLARSHIP GRANTING ORGANIZATION** (Continued)

The Fund is required to follow specific rules and procedures as required by the Act to ensure that 75% of monies received are used to provide scholarships to eligible students in any one calendar year. Contributions are received throughout the calendar year for the school year beginning in the fall and distributions start in December. Management believes that all scholarships were awarded in compliance with the definition of "eligible student" and further guidelines contained in the statute. Liabilities for undistributed scholarships are shown as agency payables on the balance sheet. Over the life of the program 95% of all monies received must be awarded and distributed to eligible Illinois students. Funds received and distributed by calendar year are as follows:

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Total</u>
Tax credit scholarship funds received				
January to June	\$ 7,764,914	\$ 3,631,002	\$ 3,975,905	\$ 15,371,821
July to December	<u>2,380,644</u>	<u>3,542,400</u>	<u>-</u>	<u>5,923,044</u>
Total funds received	<u>\$ 10,145,558</u>	<u>\$ 7,173,402</u>	<u>\$ 3,975,905</u>	<u>\$ 21,294,865</u>
Tax credit scholarship funds disbursed				
January to June	\$ -	\$ 3,246	\$ 945,100	\$ 948,346
July to December	<u>7,854,632</u>	<u>6,489,240</u>	<u>-</u>	<u>14,343,872</u>
Total funds disbursed	<u>\$ 7,854,632</u>	<u>\$ 6,492,486</u>	<u>\$ 945,100</u>	<u>\$ 15,292,218</u>
Percent distributed by calendar year	77%	91%	24%	72%

**NOTE 9 - GRANTS PAYABLE**

The Fund awards operating, capital and programmatic grants to schools, and also incurs other expenses for specific programs benefiting schools within the educational system. Certain grants may cover multiple years. For measurement purposes, the discount rate of 2.52 % was used to determine the present value of grants payable. Grants payable at June 30, 2020 and 2019, are as follows:

	<u>2020</u>	<u>2019</u>
Grants to Schools due in one year	\$ 4,817,619	\$ 1,898,748
Grants to Schools due in two or more years	<u>-</u>	<u>99,750</u>
Gross grants payable	4,817,619	1,998,498
Less funds deposited with schools	(2,961,629)	-
Less discount to present value	<u>-</u>	<u>(4,844)</u>
Grants payable, net	<u>\$ 1,855,990</u>	<u>\$ 1,993,654</u>

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(Continued)

BIG SHOULDERS FUND  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020 and 2019

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**NOTE 10 - CONTRIBUTED SERVICES**

The Fund received contributed services and fixed assets from outside entities of \$549,540 and \$30,185 during the years ended June 30, 2020 and 2019, respectively. The receipt and use of these services are shown as fixed assets or revenue and expenses in the statements of activities.

**NOTE 11 - FUNDRAISING EVENTS**

The Fund holds several fundraising events each year, such as the Golf Classic and Auxiliary Board Ball. The Humanitarian Award Dinner is held bi-annually, most recently in 2018. The 2020 Humanitarian Award Dinner was postponed due to COVID-19.

As described in Note 2, the Fund may receive event contributions or event revenue in conjunction with these events.

Net fundraising event revenue consists of the following:

	<u>2020</u>	<u>2019</u>
Event revenue	\$ 654,490	\$ 966,448
Event expenses	<u>(204,065)</u>	<u>(338,605)</u>
Fund-raising events revenue, net	<u>\$ 450,425</u>	<u>\$ 627,843</u>

Because event contributions are not included above and event activity may span one or more fiscal years, it should be noted that these amounts reflect only the event revenue, as defined in Note 2, for the fiscal years, and not the complete results of fundraising events.

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(Continued)

BIG SHOULDERS FUND  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020 and 2019

**NOTE 12 – EXPENSES**

The summary of expenses for the years ended June 30, 2020 and 2019, is as follows:

	School Operations Programs	Leadership/ Teacher Development Programs	Academic Enrichment Programs	Student Scholarship Programs	Other Programs	Total Program Expenses	Management Expenses	Fund-Raising Expenses	Total Expenses
<b>2020</b>									
Grants to schools and other organizations	\$ 8,018,827	\$ 421,040	\$ 90,123	\$ 118,098	\$ 1,219,922	\$ 9,868,010	\$ -	\$ -	\$ 9,868,010
Services/goods provided to schools	331,846	145,000	825,391	-	650,094	1,952,331	-	-	1,952,331
Scholarships and other assistance	-	71,808	151	13,761,027	100,000	13,932,986	-	-	13,932,986
Total grants and scholarships	8,350,673	637,848	915,665	13,879,125	1,970,016	25,753,327	-	-	25,753,327
Less expenditures for agency transactions	-	-	-	(7,408,335)	(235,869)	(7,644,204)	-	-	(7,644,204)
Net grants and scholarships expense	8,350,673	637,848	915,665	6,470,790	1,734,147	18,109,123	-	-	18,109,123
Salaries and related benefits	757,112	349,376	538,329	814,110	718,284	3,177,211	844,783	598,029	4,620,023
All other expenses	601,085	204,527	909,952	344,086	336,895	2,396,545	585,642	315,684	3,297,871
Total expenses	<u>\$ 9,708,870</u>	<u>\$ 1,191,751</u>	<u>\$ 2,363,946</u>	<u>\$ 7,628,986</u>	<u>\$ 2,789,326</u>	<u>\$ 23,682,879</u>	<u>\$ 1,430,425</u>	<u>\$ 913,713</u>	<u>\$ 26,027,017</u>
Percent of total	37.3%	4.6%	9.1%	29.3%	10.7%	91.0%	5.5%	3.5%	100%
<b>2019</b>									
Grants to schools and other organizations	\$ 2,811,684	\$ 481,292	\$ 248,390	\$ 172,704	\$ 1,099,085	\$ 4,813,155	\$ -	\$ -	\$ 4,813,155
Services/goods provided to schools	274,519	105,500	1,112,994	754	129,816	1,623,583	-	-	1,623,583
Scholarships and other assistance	-	84,990	9,433	13,362,750	61,857	13,519,030	-	-	13,519,030
Total grants and scholarships	3,086,203	671,782	1,370,817	13,536,208	1,290,758	19,955,768	-	-	19,955,768
Less expenditures for agency transactions	-	-	(10,000)	(7,759,188)	(98,028)	(7,867,216)	-	-	(7,867,216)
Net grants and scholarships expense	3,086,203	671,782	1,360,817	5,777,020	1,192,730	12,088,552	-	-	12,088,552
Salaries and related benefits	597,292	253,725	438,092	656,060	352,902	2,298,071	980,919	626,998	3,905,988
All other expenses	55,143	187,422	671,007	363,420	455,894	1,732,886	515,605	274,199	2,522,690
Total expenses	<u>\$ 3,738,638</u>	<u>\$ 1,112,929</u>	<u>\$ 2,469,916</u>	<u>\$ 6,796,500</u>	<u>\$ 2,001,526</u>	<u>\$ 16,119,509</u>	<u>\$ 1,496,524</u>	<u>\$ 901,197</u>	<u>\$ 18,517,230</u>
Percent of total	20.2%	6.0%	13.3%	36.8%	10.8%	87.1%	8.1%	4.9%	100%

(Continued)



BIG SHOULDERS FUND  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2020 and 2019

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**NOTE 12 - EXPENSES (Continued)**

Expenditures for agency transactions represent payments made pursuant to contributions received that were designated by donors for use by specific beneficiaries. Current US GAAP requires the exclusion of these expenditures from expenses. However, these payments are included in gross expenses of the Fund on the preceding summary in order to present the full amount of the benefits provided to schools and students and are then presented as a reduction of the related expenses in the period in which the payments are made. See Note 2 for a description of the Fund's policy regarding these transactions.

**NOTE 13 - CONDITIONAL SCHOLARSHIPS AND OPERATIONAL SUPPORT**

Certain student scholarships awarded by the Fund cover multiple years. As a condition to maintaining these scholarship awards, students may be required to achieve a minimum grade point average, actively participate in the scholastic program or fulfill other donor-imposed conditions. Because the scholarship awards are conditional on the continued attendance at a participating Catholic school, academic performance, and program participation of the student, they have not been accrued and expensed in these financial statements.

As of January 2020, Big Shoulders Fund entered in a legal agreement with the Archdiocese of Chicago that establishes a ten-year conditional commitment for a subset of the schools it has historically supported. Big Shoulders Fund may, at its own choosing, increase or decrease the number of schools subject to this conditional commitment.

Annual financial support is conditional on notification by the Fund to the Archdiocese by December 1 of each year for the following academic year. Operational and capital support can be reduced by the Fund if steps are taken to streamline operations and introduce efficiencies which reduce the amount of financial support required to operate the schools.

Management estimates that these conditional scholarship awards and support that may be provided by the Fund at June 30, 2020, are:

Year ending June 30,	<u>Scholarships</u>	Operating <u>Grants</u>	<u>Total</u>
2021	\$ 3,724,850	\$ -	\$ 3,724,850
2022	3,270,800	4,752,060	8,022,860
2023	2,706,000	4,752,060	7,458,060
2024	2,210,600	4,752,060	6,962,660
2025	1,532,000	4,752,060	6,284,060
Thereafter	<u>1,862,700</u>	<u>19,008,240</u>	<u>20,870,940</u>
Total	<u>\$ 15,306,950</u>	<u>\$ 38,016,480</u>	<u>\$ 53,323,430</u>

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(Continued)

BIG SHOULDERS FUND  
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**NOTE 13 - CONDITIONAL SCHOLARSHIPS AND OPERATIONAL SUPPORT (Continued)**

Funding for these provisional scholarships is anticipated as follows:

	<u>Total</u>	<u>Percent of Total</u>
Gifts with donor restrictions already received by the Fund	\$ 4,561,754	8.6%
Future collections on unconditional pledges to the Fund	1,670,633	3.1%
Future endowment earnings	5,600	0.0%
Future collections on conditional pledges expected to be received by the Fund based on revocable intentions to give by donors	7,231,450	13.6%
Cash on hand without donor restrictions	6,219,083	11.7%
Future contributions to be raised	<u>33,634,910</u>	<u>63.1%</u>
	<u>\$ 53,323,430</u>	<u>100.0%</u>

**NOTE 14 - LEASE AND OTHER COMMITMENTS**

The Fund leases certain office facilities and office equipment pursuant to agreements that expire on June 30, 2025. At June 30, 2020, the future minimum lease commitments under these non-cancelable operating leases are as follows:

<u>Year ending June 30.</u>	
2021	\$ 174,799
2022	178,904
2023	183,008
2024	185,633
2025	<u>186,777</u>
	<u>\$ 909,121</u>

The Fund has an option to renew the lease on the current office facilities through June 30, 2030. No decision has been made at this time to exercise that option.

Rent expense for the years ended June 30, 2020 and 2019, was \$146,258 and \$142,310, respectively.

**NOTE 15 - RETIREMENT PLANS**

Employees are eligible to participate in the Fund's defined contribution retirement plan (Section 403(b) plan). Employees may contribute taxable or pre-tax dollars to an individual investment account. The Fund currently matches contributions at a rate of \$0.50 per \$1.00 contributed up to a maximum of 8% of the employee's eligible wages. In fiscal years 2020 and 2019, the Fund contributed \$124,497 and \$94,081, respectively, to the plan on behalf of participating employees.

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(Continued)

BIG SHOULDERS FUND  
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**NOTE 16 - TAX-EXEMPT STATUS**

The Fund has received a determination letter from the Internal Revenue Service indicating that the Fund is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code of 1986 and, except for taxes pertaining to unrelated business income, is exempt from federal and state income taxes. The Fund is classified as a public charity under Section 509(a)(1) and Section 170(b)(1)(A)(vi), an organization that normally receives a substantial part of its support from direct or indirect contributions from the general public.

The Fund recognizes a tax position as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded. The Fund does not expect the total amount of unrecognized tax benefits to significantly change in the next twelve months.

The Fund has applied this criterion to all tax positions for which the statute of limitations remains open. Tax years open to examination by tax authorities under the statute of limitations include fiscal years ended June 2017 through 2020. The Fund recognizes interest and penalties related to unrecognized tax benefits in interest and income tax expense, respectively. The Fund has no amounts accrued for interest or penalties as of June 30, 2020 and 2019. The Fund has determined that its tax provisions satisfy the more likely than not criterion and that no provision for income taxes is required at June 30, 2020.

**NOTE 17 – PAYROLL PROTECTION PROGRAM LOAN**

On April 14, 2020, the Fund was granted a loan (the “Loan”) from Wintrust Bank, N.A. in the aggregate amount of \$645,588, pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title I of the CARES Act, which was enacted March 27, 2020. The Fund is accounting for the PPP Loan as a conditional contribution under ASC 958-605. At June 30, 2020 the Loan was reported as a liability on the statement of financial position.

Subsequent to year end, the Fund applied for and was granted forgiveness of the PPP Loan. The Fund will recognize the loan forgiveness as a contribution during fiscal year 2021.

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(Continued)

BIG SHOULDERS FUND  
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**NOTE 18 - LIQUIDITY AND AVAILABILITY**

The following reflects the Fund's financial assets as of the balance sheet date, reduced by amounts not available within one year of the balance sheet date because of donor imposed or internal designations. Amounts available include the Board approved appropriation from the endowment fund for the following year as well as donor-restricted amounts that are available for expenditure in the following year. Amounts not available include amounts set aside for operating and other reserves that could be drawn upon if the Executive Committee approves that action:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 18,413,314	\$ 17,168,749
Investments	49,602,791	50,737,017
Pledges receivable	26,251,627	25,156,033
Pledges receivable scheduled for collection over one year	(19,380,500)	(19,509,256)
Endowment, including board designated endowment	(34,867,877)	(36,246,429)
Agency payables	(5,473,590)	(5,681,827)
Annual endowment draw	<u>1,600,000</u>	<u>1,600,000</u>
Financial assets available for general use	<u>\$ 36,145,765</u>	<u>\$ 33,224,287</u>

As part of the Fund's liquidity management, the Fund invests its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**NOTE 19 – SUBSEQUENT EVENTS**

A novel strain of coronavirus has spread around the world, with resulting business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of the Fund could be materially adversely affected. The extent to which the coronavirus (or any other disease or epidemic) may impact business activity will depend on future developments. These future developments are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus or treat its impact, among others.

Management has performed an analysis of the activities and transactions subsequent to June 30, 2020, to determine the need for any adjustments or additional disclosures within the audited financial statements for the year ended June 30, 2020. Management has performed their analysis through December 14, 2020, the date the financial statements were available to be issued.