

BIG SHOULDERS FUND
FINANCIAL STATEMENTS
June 30, 2021 and 2020

BIG SHOULDERS FUND
Chicago, Illinois

FINANCIAL STATEMENTS
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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, 2021 and 2020, 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.

(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, 2021 and 2020, 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 ASU 2014-09, *Revenue from Contracts with Customers: Topic 606* for the year ended June 30, 2021. Our opinion is not modified with respect to this matter.

Crowe LLP

Crowe LLP

Chicago, Illinois
November 5, 2021

BIG SHOULDERS FUND
STATEMENTS OF FINANCIAL POSITION
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 32,965,461	\$ 18,413,314
Investments:		
Investments attributable to endowments	40,698,957	34,867,877
Other investments	<u>18,008,773</u>	<u>14,734,914</u>
Total investments	<u>58,707,730</u>	<u>49,602,791</u>
Pledges receivable, net	18,717,609	23,104,711
Fixed assets, net	65,357	84,116
Other assets	<u>79,013</u>	<u>98,034</u>
Total	<u>\$ 110,535,170</u>	<u>\$ 91,302,966</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 772,576	\$ 857,026
Payroll Protection Program loan	-	645,588
Deferred revenue	203,875	2,108,840
Agency payables	9,998,814	5,473,590
Grants payable, net	<u>4,147,477</u>	<u>1,855,990</u>
Total liabilities	<u>15,122,742</u>	<u>10,941,034</u>
NET ASSETS		
Without donor restrictions	30,948,036	24,620,686
With donor restrictions	<u>64,464,392</u>	<u>55,741,246</u>
Total net assets	<u>95,412,428</u>	<u>80,361,932</u>
Total	<u>\$ 110,535,170</u>	<u>\$ 91,302,966</u>

See accompanying notes to financial statements.

BIG SHOULDERS FUND
STATEMENT OF ACTIVITIES
For the year ended June 30, 2021

	2021		<u>Total</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	
Changes in net assets - operating			
Public support and other revenue			
Contributions	\$ 7,000,043	\$ 37,337,383	\$ 44,337,426
Government grant (PPP loan)	645,588	-	645,588
Less amounts designated to other organizations by donors	-	(21,284,063)	(21,284,063)
Fund-raising events revenue, net	<u>3,240,762</u>	<u>355,472</u>	<u>3,596,234</u>
Total public support and event revenue	<u>10,886,393</u>	<u>16,408,792</u>	<u>27,295,185</u>
Interest income - operating	110,516	-	110,516
Endowment earnings used for programs and operations	3,097,337	726,554	3,823,891
Net assets released from restrictions	<u>11,847,151</u>	<u>(11,847,151)</u>	<u>-</u>
Net contributions and other revenue available for operations	<u>25,941,397</u>	<u>5,288,195</u>	<u>31,229,592</u>
Expenses			
Program expense	23,273,998	-	23,273,998
Management expense	1,248,920	-	1,248,920
Fund-raising expense	<u>792,602</u>	<u>-</u>	<u>792,602</u>
Total expenses	<u>25,315,520</u>	<u>-</u>	<u>25,315,520</u>
Changes in net assets - operating	<u>625,877</u>	<u>5,288,195</u>	<u>5,914,072</u>
Changes in net assets - non-operating			
Contributions	-	242,706	242,706
Net investment return - non-operating	8,798,810	3,918,799	12,717,609
Less endowment earnings used for programs and operations	<u>(3,097,337)</u>	<u>(726,554)</u>	<u>(3,823,891)</u>
Changes in net assets - non-operating	<u>5,701,473</u>	<u>3,434,951</u>	<u>9,136,424</u>
Changes in net assets	6,327,350	8,723,146	15,050,496
Net assets at beginning of year	<u>24,620,686</u>	<u>55,741,246</u>	<u>80,361,932</u>
Net assets at end of year	<u>\$ 30,948,036</u>	<u>\$ 64,464,392</u>	<u>\$ 95,412,428</u>

See accompanying notes to financial statements.

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

	2020		Total
	Without Donor Retrictions	With Donor Restrictions	
Changes in net assets - operating			
Public support and other revenue			
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	450,425	-	450,425
Total public support and event revenue	<u>9,521,562</u>	<u>14,693,733</u>	<u>24,215,295</u>
Interest income - operating	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>
Expenses			
Program expense	23,682,879	-	23,682,879
Management expense	1,430,425	-	1,430,425
Fund-raising expense	913,713	-	913,713
Total expenses	<u>26,027,017</u>	<u>-</u>	<u>26,027,017</u>
Changes in net assets - operating	<u>(1,325,287)</u>	<u>1,522,997</u>	<u>197,710</u>
Changes in net assets - non-operating			
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>
Net assets at end of year	<u>\$ 24,620,686</u>	<u>\$ 55,741,246</u>	<u>\$ 80,361,932</u>

See accompanying notes to financial statements.

BIG SHOULDERS FUND
STATEMENTS OF CASH FLOWS
For the years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets (total operating and non-operating activities)	\$ 15,050,496	\$ (1,238,031)
Adjustments to reconcile change in net assets to net cash flow provided by (used in) operating activities:		
Net investment (gains) losses	(12,476,467)	69,125
Depreciation expense	18,759	19,582
Government grant (PPP loan)	(645,588)	-
Contributions of fixed assets	-	(40,400)
Contributions for permanent endowment fund	(242,706)	(67,580)
Changes in assets and liabilities:		
Pledges receivable	4,387,102	(1,194,149)
Other assets	19,021	16,346
Accounts payable and accrued expenses	(84,450)	358,564
Deferred revenue	(1,904,965)	1,888,740
Agency payable	4,525,224	(208,237)
Grants payable	2,291,487	(137,664)
Net cash flow provided by (used in) operating activities	<u>10,937,913</u>	<u>(533,704)</u>
Cash flows from investing activities		
Purchases of investments	(6,363,560)	(11,848,409)
Proceeds from sales of investments	<u>9,735,088</u>	<u>12,913,510</u>
Net cash flow provided by investing activities	3,371,528	1,065,101
Cash flows from financing activities		
Proceeds from PPP loan	-	645,588
Contributions for permanent endowment fund	<u>242,706</u>	<u>67,580</u>
Net cash flow provided by financing activities	<u>242,706</u>	<u>713,168</u>
Change in cash and cash equivalents	14,552,147	1,244,565
Cash and cash equivalents at beginning of year	<u>18,413,314</u>	<u>17,168,749</u>
Cash and cash equivalents at end of year	<u>\$ 32,965,461</u>	<u>\$ 18,413,314</u>

See accompanying notes to financial statements.

BIG SHOULDERS FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

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 Northwest Indiana. The funds raised by Big Shoulders Fund are used for student scholarships, academic enrichment programs, teacher and leadership development, and operating grants. Educating children in underserved communities 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.

Revenue Recognition: Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Realized and unrealized gains and losses on investments are reported as increases or decreases in net assets without donor restrictions in the statements of activities unless their use is restricted by explicit donor stipulations or by law. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets in the statement of activities as net assets released from restrictions.

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.

(Continued)

BIG SHOULDERS FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

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

The Fund defines event revenue as receipts 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. Event revenue is recognized at the point in time when the event occurs. The Fund had no costs that were capitalized to obtain or to fulfill a contract with a customer.

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.

(Continued)

BIG SHOULDERS FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

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: The Fund's contract liabilities are presented as deferred revenue in the balance sheet. 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 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 Fund adopted this ASU on July 1, 2020 using the modified retrospective approach. There was no cumulative effect adjustment as a result of adoption.

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.

(Continued)

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.

(Continued)

BIG SHOULDERS FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 3 - INVESTMENTS AND INVESTMENT RETURN (Continued)

Investments are the only asset 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>2021</u>					
Large cap equity funds	\$ 7,012,387	\$ -	\$ 8,658,928	\$ 15,671,315	26.7%
Small cap equity funds	1,628,365	-	2,726,346	4,354,711	7.4%
International equity - developed markets funds	3,052,634	-	4,202,983	7,255,617	12.4%
International equity - emerging markets funds	-	-	5,116,767	5,116,767	8.7%
Hedged equity funds	-	-	8,867,804	8,867,804	15.1%
Absolute return funds	-	-	5,304,341	5,304,341	9.0%
Alternative fixed income fund	-	-	959,856	959,856	1.6%
Private equity	-	-	3,244,810	3,244,810	5.5%
Private credit	-	-	160,801	160,801	0.3%
Fixed income	<u>4,621,512</u>	<u>3,150,196</u>	<u>-</u>	<u>7,771,708</u>	<u>13.2%</u>
 Total investments	 <u>\$ 16,314,898</u>	 <u>\$ 3,150,196</u>	 <u>\$ 39,242,636</u>	 <u>\$ 58,707,730</u>	 <u>100%</u>
 Percent of total	 27.8%	 5.4%	 66.8%	 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>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%	

(Continued)

BIG SHOULDERS FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 3 - INVESTMENTS AND INVESTMENT RETURN (Continued)

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 2021 or 2020.

The Fund has unfunded commitments of \$5,416,000 and \$4,870,000 for investments at June 30, 2021 and 2020, respectively.

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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Investments allocable to endowments	\$ 40,698,957	\$ 34,867,877
General investments of the Fund	<u>18,008,773</u>	<u>14,734,914</u>
Total Investments	<u>\$ 58,707,730</u>	<u>\$ 49,602,791</u>
Investment gain allocable to endowments	\$ 9,412,265	\$ 255,476
Investment gain (loss) allocable to general investments	<u>3,305,344</u>	<u>(57,189)</u>
Total investment gain	<u>\$ 12,717,609</u>	<u>\$ 198,287</u>

(Continued)

BIG SHOULDERS FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

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 2021 and 2020. 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 - 2021

Investment/Strategy	Fair Value 2021	Level/NAV 2021	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	\$ 3,864,610	1	Daily	None	No	No	No	No	No	
Large Cap Equity Fund, concentrated long only equity strategy	5,040,080	NAV	Qtr End	30 days	No	Yes	No	No	No	
Large Cap Equity Mutual Fund, generally US stocks	3,147,777	1	Daily	None	No	No	No	No	No	
Invest in high quality companies characterized by consistently reliable and attractive earnings streams, favoring companies whose economics are largely independent of the business cycle	3,618,848	NAV	Monthly	30 days	No	No	No	No	No	
Concentrated value-based equity strategy focusing on companies with a market capitalization of \$1 to \$12.5 billion	2,726,346	NAV	Monthly	30 days	No	No	No	No	No	
Holds 25 high quality small to mid-cap growth stocks that are conviction weighted based on bottom-up, fundamental research.	1,628,365	1	Daily	None	n/a	no	no	no	no	
International Equity, Individual stocks	3,052,634	1	Daily	4 days	No	No	No	No	No	
International Equity, generally international stocks	1,880,552	NAV	Month End	30 days	No	Yes	No	No	No	
International equity - all markets	2,322,431	NAV	Month End	5 days	No	Yes	No	Yes	No	
International Equity, Asia only	2,835,788	NAV	Month End	30 days	No	No	No	No	No	
International Equity Fund, generally specific geographical area	2,280,979	NAV	Weekly	5 days	No	No	No	No	No	
Fully-integrated, multi-stage investment manager that invests in public and private healthcare and life science companies	850,847	NAV	Quarterly	90 days	1 year soft lock	yes - Fund level	No	yes - special investments	yes	
Hedged Equity Fund, generally stocks	6,997,946	NAV	5/1	45 days	No	Yes	No	No	No	
Global Technology, Media, and Telecom (TM T) investment manager. Growth-oriented firm and seek to benefit from the innovation and disruption inherent in the TM T space.	1,019,011	NAV	Every 2 years	90 days	3 years	No	No	yes - up to 80% of the fund	yes	
Private Equity, secondary market	649,657	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	522,027	NAV	n/a	n/a	No withdrawals allowed. Initial term of 10 years, with 3 1-year possible extensions.					
Private Equity, secondary market	913,073	NAV	n/a	n/a	No withdrawals allowed. 10 years from the initial close plus 3, 1-year extensions at GP discretion					
Invest in market leading, rapidly growing internet-enabled, consumer, enterprise software, and financial technology companies primarily based in the U.S., China, and India.	1,160,053	NAV	n/a	n/a	No withdrawals allowed. 10 years, with three 1-year extensions at LPAC discretion.					
Absolute Return Fund, event driven debt and equity investments	2,125,921	NAV	Qtr End	65 days	No	Yes	No	Yes	No	
Absolute Return Fund, stressed corporate debt, distressed corporate debt, deep value and special situation equities, and low loan-to-value high yield debt	1,451,068	NAV	n/a	n/a	n/a					
Absolute Return Fund, primarily invest in credit, loans, and high yield, but can also invest in equity and	1,727,352	NAV	Annual	90 days	n/a					
Alternative Fixed Income Fund, event driven debt and equity investments	296,444	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, event driven debt and equity investments	582,125	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	81,287	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					
Fixed Income Mutual Fund, short/intermediate high quality debt instruments	3,001,907	1	Daily	None	No	No	No	No	No	
Fixed Income, individual corporate and government bonds	3,150,196	2	Daily	None	No	No	No	No	No	
Federal Money Market Fund, which invests in U.S. government securities	1,619,605	1	Daily	None	n/a					
An opportunistic strategy that will invest in loans and securitizations that fall outside the primary	160,801	NAV	n/a	n/a	No withdrawals allowed. 7 years from the initial close plus 2, two year extensions at GP discretion					
Total	\$ 58,707,730									

(Continued)

BIG SHOULDERS FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 3 - INVESTMENTS AND INVESTMENT RETURN (Continued)

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 Fund, concentrated long only equity strategy	3,552,246	NAV	Qtr End	30 days	No	Yes	No	No	No	
Large Cap Equity Mutual Fund, generally US stocks	2,796,298	1	Daily	None	No	No	No	No	No	
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 Fund, specific industry sector stocks only	45,690	NAV	3/31, 9/30	30 days	No	No	No	No	No	
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	
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	
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	Month End	30 days	No	Yes	No	No	No	
International Equity, Asia only	2,651,826	NAV	Month End	30 days	No	No	No	No	No	
International Equity Fund, generally specific geographical area	164,030	NAV	Weekly	5 days	No	No	No	No	No	
International equity - all markets	1,683,531	NAV	Month End	5 days	No	Yes	No	Yes	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 +
Private Equity, secondary market	156,771	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					
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	Month End	60 days	No	Yes	No	No	No	
Alternative Fixed Income Fund, event driven debt and equity investments	336,451	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, event driven debt and equity investments	481,527	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	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.					
Fixed Income Mutual Fund, short/intermediate high quality debt instruments	2,147,844	1	Daily	None	No	No	No	No	No	
Fixed Income, individual corporate and government bonds	4,855,571	2	Daily	None	No	No	No	No	No	
Secondary market private equity	222,612	NAV	n/a	n/a	No withdrawals allowed. Initial term of 10 years, with 3 1-year possible extensions.					
Secondary market private equity	134,616	NAV	n/a	n/a	No withdrawals allowed. 10 years from the initial close plus 3, 1 year extensions at GP discretion					
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	
Federal Money Market Fund, which invests in U.S. government securities	3,504,252	1	Daily	None	n/a	no	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	
Total	\$ 49,602,791									

(Continued)

BIG SHOULDERS FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

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, 2021 or 2020?

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, 2021 or 2020?

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.

(Continued)

BIG SHOULDERS FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

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 for endowments with no restriction or designation as to use was 15% in 2021 and 5% in 2020, respectively. Based on this policy, endowment earnings of \$3,823,891 and \$1,701,608 were appropriated for expenditure and used for operations for the years ended June 30, 2021 and 2020, respectively. Assets are considered appropriated for expenditure in the year for which the Executive Committee authorizes the actual expenditure.

(Continued)

BIG SHOULDERS FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 4 - ENDOWMENTS (Continued)

Endowments, which represent only a portion of investments, are composed of the following as of June 30, 2021 and 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>2021</u>			
Donor-restricted endowment funds and unappropriated earnings	\$ -	\$ 17,191,837	\$ 17,191,837
Internally-designated funds	<u>23,507,120</u>	<u>-</u>	<u>23,507,120</u>
Total endowment funds	<u>\$ 23,507,120</u>	<u>\$ 17,191,837</u>	<u>\$ 40,698,957</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>

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, 2020 or 2021. UPMIFA does allow the expenditure of funds from these endowments if the Fund deems it prudent and the donor has not stated otherwise.

(Continued)

BIG SHOULDERS FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 4 - ENDOWMENTS (Continued)

Changes in endowment net assets for the years ended June 30, 2021 and 2020 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Total endowment funds, June 30, 2019	\$ 22,023,367	\$ 14,223,062	\$ 36,246,429
New gifts	-	67,580	67,580
Funds released from endowment	-	-	-
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	21,094,492	13,773,385	34,867,877
New gifts	-	242,706	242,706
Earnings appropriated for expenditure and used for programs and operations	(3,097,337)	(726,554)	(3,823,891)
Net investment return	<u>5,509,965</u>	<u>3,902,300</u>	<u>9,412,265</u>
Total endowment funds, June 30, 2021	<u>\$ 23,507,120</u>	<u>\$ 17,191,837</u>	<u>\$ 40,698,957</u>

NOTE 5 - PLEDGES RECEIVABLE

For measurement purposes, discount rates between 0.58% and 4.32% are used to determine the present value of pledges receivable, which includes an adjustment for risk premium. Aging and valuation at June 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Due in		
Less than one year	\$ 3,807,872	\$ 6,871,127
Two to five years	9,979,460	12,516,200
More than five years	<u>7,706,800</u>	<u>6,864,300</u>
Gross pledges receivable	21,494,132	26,251,627
Less allowance for uncollectible pledges	(25,000)	(25,000)
Less discount to risk-adjusted present value	<u>(2,751,523)</u>	<u>(3,121,916)</u>
Pledges receivable, net	<u>\$ 18,717,609</u>	<u>\$ 23,104,711</u>

(Continued)

BIG SHOULDERS FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes for the years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Funds restricted for scholarships and grants to schools	\$ 28,857,296	\$ 18,863,150
Pledges receivable, net	18,415,259	23,104,711
Donor-restricted endowment funds and unappropriated earnings	<u>17,191,837</u>	<u>13,773,385</u>
Total net assets with donor restrictions	<u>\$ 64,464,392</u>	<u>\$ 55,741,246</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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Furniture and equipment	\$ 137,053	\$ 137,053
Vehicles	59,984	59,984
Leasehold improvements	<u>147,789</u>	<u>147,789</u>
Total fixed assets	344,826	344,826
Less allowance for depreciation	<u>(279,469)</u>	<u>(260,710)</u>
Fixed assets, net	<u>\$ 65,357</u>	<u>\$ 84,116</u>

The provision for depreciation of furniture, equipment, and leasehold improvements amounted to \$18,759 and \$19,582 for the years ended June 30, 2021 and 2020, respectively.

(Continued)

BIG SHOULDERS FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

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.

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 not distributed in the current academic year will be distributed in future years. At the conclusion of the Tax Credit Scholarship program, 100% of funding received (less administrative retention) shall be distributed to eligible students. Funds received and distributed by calendar year are as follows:

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>Total</u>
Tax credit scholarship funds received					
January to June	\$ 7,764,914	\$ 3,631,002	\$ 3,975,905	\$ 4,208,545	\$ 19,580,366
July to December	2,380,644	3,542,400	18,160,156	-	24,083,200
Administrative retention	<u>(507,278)</u>	<u>(358,670)</u>	<u>(1,106,803)</u>	<u>(210,427)</u>	<u>(2,183,178)</u>
 Total funds received	 <u>\$ 9,638,280</u>	 <u>\$ 6,814,732</u>	 <u>\$ 21,029,258</u>	 <u>\$ 3,998,118</u>	 <u>\$ 41,480,388</u>
 Tax credit scholarship funds disbursed for the academic year beginning July 1,					
July to December	\$ 7,854,632	\$ 6,489,240	\$ 4,472,159	\$ -	\$ 18,816,031
January to June of the following year	<u>3,246</u>	<u>945,100</u>	<u>11,953,004</u>	<u>-</u>	<u>12,901,350</u>
 Total funds disbursed	 <u>\$ 7,857,878</u>	 <u>\$ 7,434,340</u>	 <u>\$ 16,425,163</u>	 <u>\$ -</u>	 <u>\$ 31,717,381</u>
 Percent distributed by calendar year	 82%	 109%	 78%	 0%	 76%

(Continued)

BIG SHOULDERS FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

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. Grants payable at June 30, 2021 and 2020, are as follows:

	<u>2021</u>	<u>2020</u>
Grants to Schools due in one year	\$ 3,963,557	\$ 1,855,990
Grants to Schools due in two or more years	<u>183,920</u>	<u>-</u>
Grants payable, net	<u>\$ 4,147,477</u>	<u>\$ 1,855,990</u>

NOTE 10 - CONTRIBUTED SERVICES

The Fund received contributed services and fixed assets from outside entities of \$0 and \$549,540 during the years ended June 30, 2021 and 2020, 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 fundraising events each year, such as the Golf Classic and Auxiliary Board Ball. The Humanitarian Award Dinner is held bi-annually, most recently in 2021.

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>2021</u>	<u>2020</u>
Event revenue	\$ 4,004,445	\$ 654,490
Event expenses	<u>(408,211)</u>	<u>(204,065)</u>
Fund-raising events revenue, net	<u>\$ 3,596,234</u>	<u>\$ 450,425</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.

(Continued)

BIG SHOULDERS FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 12 – EXPENSES

The summary of expenses for the year ended June 30, 2021, is as follows:

	School Operations <u>Programs</u>	Leadership/ Teacher Development <u>Programs</u>	Academic Enrichment <u>Programs</u>	Student Scholarship <u>Programs</u>	Other <u>Programs</u>	Total Program <u>Expenses</u>	Management <u>Expenses</u>	Fund-Raising <u>Expenses</u>	Total <u>Expenses</u>
<u>2021</u>									
Grants to schools and other organizations	\$ 5,705,541	\$ 768,894	\$ 131,556	\$ 121,315	\$ 1,109,496	\$ 7,836,802	\$ -	\$ -	\$ 7,836,802
Services/goods provided to schools	239,907	269,440	268,100	4,794	191,848	974,089	-	-	974,089
Scholarships and other assistance	<u>2,082,568</u>	<u>124,303</u>	<u>6,276</u>	<u>23,094,520</u>	<u>28,619</u>	<u>25,336,286</u>	-	-	<u>25,336,286</u>
Total grants and scholarships	8,028,016	1,162,637	405,932	23,220,629	1,329,963	34,147,177	-	-	34,147,177
Less expenditures for agency transactions	-	-	-	<u>(16,374,926)</u>	<u>(383,912)</u>	<u>(16,758,838)</u>	-	-	<u>(16,758,838)</u>
Net grants and scholarships expense	8,028,016	1,162,637	405,932	6,845,703	946,051	17,388,339	-	-	17,388,339
Salaries and related benefits	814,532	352,056	570,845	777,129	820,304	3,334,866	911,025	557,905	4,803,796
All other expenses	<u>60,596</u>	<u>218,573</u>	<u>1,060,805</u>	<u>624,773</u>	<u>586,046</u>	<u>2,550,793</u>	<u>337,895</u>	<u>234,697</u>	<u>3,123,385</u>
Total expenses	<u>\$ 8,903,144</u>	<u>\$ 1,733,266</u>	<u>\$ 2,037,582</u>	<u>\$ 8,247,605</u>	<u>\$ 2,352,401</u>	<u>\$ 23,273,998</u>	<u>\$ 1,248,920</u>	<u>\$ 792,602</u>	<u>\$ 25,315,520</u>
Percent of total	35.2%	6.8%	8.0%	32.6%	9.3%	91.9%	4.9%	3.1%	100%

(Continued)

BIG SHOULDERS FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 12 - EXPENSES (Continued)

The summary of expenses for the year ended June 30, 2020, is as follows:

	School Operations <u>Programs</u>	Leadership/ Teacher Development <u>Programs</u>	Academic Enrichment <u>Programs</u>	Student Scholarship <u>Programs</u>	Other <u>Programs</u>	Total Program <u>Expenses</u>	Management <u>Expenses</u>	Fund-Raising <u>Expenses</u>	Total <u>Expenses</u>
<u>2020</u>									
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	<u>8,350,673</u>	<u>637,848</u>	<u>915,665</u>	<u>13,879,125</u>	<u>1,970,016</u>	<u>25,753,327</u>	-	-	<u>25,753,327</u>
Less expenditures for agency transactions	-	-	-	(7,408,335)	(235,869)	(7,644,204)	-	-	(7,644,204)
Net grants and scholarships expense	<u>8,350,673</u>	<u>637,848</u>	<u>915,665</u>	<u>6,470,790</u>	<u>1,734,147</u>	<u>18,109,123</u>	-	-	<u>18,109,123</u>
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	<u>601,085</u>	<u>204,527</u>	<u>909,952</u>	<u>344,086</u>	<u>336,895</u>	<u>2,396,545</u>	<u>585,642</u>	<u>315,684</u>	<u>3,297,871</u>
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%

(Continued)

BIG SHOULDERS FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

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 span 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.

Management estimates that these conditional scholarship awards that may be provided by the Fund at June 30, 2021 are:

2022	\$ 5,138,798
2023	4,416,500
2024	3,083,200
2025	2,509,650
2026	2,179,000
Thereafter	<u>5,009,140</u>
Total	<u>\$ 22,336,288</u>

As of January 2020, Big Shoulders Fund entered into 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 beginning July 1. 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 conditional operational support that may be provided by the Fund at June 30, 2021 are:

2022	\$ 3,083,018
2023	4,752,060
2024	4,752,060
2025	4,752,060
2026	4,752,060
Thereafter	<u>14,256,180</u>
Total	<u>\$ 36,347,438</u>

(Continued)

BIG SHOULDERS FUND
NOTES TO FINANCIAL STATEMENTS
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NOTE 14 - LEASE AND OTHER COMMITMENTS

The Fund leases office facilities and office equipment pursuant to agreements that expire on June 30, 2025. At June 30, 2021, the future minimum lease commitments under these non-cancelable operating leases are as follows:

2022	\$ 174,993
2023	183,008
2024	185,633
2025	<u>186,777</u>
	<u>\$ 730,411</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, 2021 and 2020, was \$214,547 and \$146,258, 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 2021 and 2020, the Fund contributed \$119,797 and \$124,497, respectively, to the plan on behalf of participating employees.

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 2018 through 2021. 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, 2021 and 2020. 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, 2021.

(Continued)

BIG SHOULDERS FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 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.

The Fund applied for and was granted forgiveness of the PPP Loan on November 21, 2020. The Fund recognized the loan forgiveness as a contribution during fiscal year 2021.

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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 32,965,461	\$ 18,413,314
Investments	58,707,730	49,602,791
Pledges receivable	21,494,132	26,251,627
Pledges receivable scheduled for collection >1 year	(17,686,260)	(19,380,500)
Endowment, including board designated endowment	(40,698,957)	(34,867,877)
Agency payables	(9,998,814)	(5,473,590)
Annual endowment draw	<u>1,600,000</u>	<u>1,600,000</u>
Financial assets available for general use	<u>\$ 46,383,292</u>	<u>\$ 36,145,765</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

Management has performed an analysis of the activities and transactions subsequent to June 30, 2021, to determine the need for any adjustments or additional disclosures within the audited financial statements for the year ended June 30, 2021. Management has performed their analysis through November 5, 2021, the date the financial statements were available to be issued.