

BIG SHOULDERS FUND
CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023 and 2022

BIG SHOULDERS FUND
Chicago, Illinois

CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

The Executive Committee
Big Shoulders Fund
Chicago, Illinois

Opinion

We have audited the consolidated financial statements of Big Shoulders Fund (the "Fund"), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Fund as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for one year from the date the consolidated financial statements are available to be issued.

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Crowe LLP

Crowe LLP

Chicago, Illinois
October 16, 2023

BIG SHOULDERS FUND
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents	\$ 35,018,100	\$ 37,038,814
Investments:		
Investments attributable to endowments	35,389,758	33,450,248
Other investments	<u>36,209,901</u>	<u>28,167,155</u>
Total investments	<u>71,599,659</u>	<u>61,617,403</u>
Pledges receivable, net	27,368,358	27,226,748
Fixed assets, net	38,221	49,395
Other assets	1,056,008	61,576
Right of use asset	<u>343,235</u>	<u>-</u>
Total	<u>\$ 135,423,581</u>	<u>\$ 125,993,936</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 806,382	\$ 851,932
Deferred revenue	263,238	230,055
Agency payables	9,737,684	8,795,374
Lease liability	383,284	-
Grants payable, net	<u>11,553,165</u>	<u>9,231,330</u>
Total liabilities	<u>22,743,753</u>	<u>19,108,691</u>
NET ASSETS		
Without donor restrictions	35,474,295	29,799,633
With donor restrictions - purpose	<u>77,205,533</u>	<u>77,085,612</u>
Total net assets	<u>112,679,828</u>	<u>106,885,245</u>
Total	<u>\$ 135,423,581</u>	<u>\$ 125,993,936</u>

See accompanying notes to consolidated financial statements.

BIG SHOULDERS FUND
CONSOLIDATED STATEMENT OF ACTIVITIES
For the year ended June 30, 2023

	2023		
	Without Donor <u>Retrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Changes in net assets - operating public support and other revenue			
Contributions	\$ 8,524,618	\$ 43,816,713	\$ 52,341,331
In-kind contributions	17,655	-	17,655
Less amounts designated to other organizations by donors	-	(21,295,099)	(21,295,099)
Fund-raising events revenue, net	1,837,251	3,194,144	5,031,395
Total public support and event revenue	<u>10,379,524</u>	<u>25,715,758</u>	<u>36,095,282</u>
Net interest income - operating	1,044,851	-	1,044,851
Endowment earnings used for programs and operations	1,063,201	745,306	1,808,507
Net assets released from restrictions	<u>27,338,188</u>	<u>(27,338,188)</u>	<u>-</u>
Net contributions and other revenue available for operations	<u>39,825,764</u>	<u>(877,124)</u>	<u>38,948,640</u>
Expenses			
Program expense	35,470,508	-	35,470,508
Management expense	1,799,998	-	1,799,998
Fund-raising expense	1,284,487	-	1,284,487
Total expenses	<u>38,554,993</u>	<u>-</u>	<u>38,554,993</u>
Changes in net assets - operating	<u>1,270,771</u>	<u>(877,124)</u>	<u>393,647</u>
Changes in net assets - non-operating			
Contributions	-	223,950	223,950
Net investment return - non-operating	5,467,092	1,518,401	6,985,493
Less endowment earnings used for programs and operations	<u>(1,063,201)</u>	<u>(745,306)</u>	<u>(1,808,507)</u>
Changes in net assets - non-operating	<u>4,403,891</u>	<u>997,045</u>	<u>5,400,936</u>
Changes in net assets	5,674,662	119,921	5,794,583
Net assets at beginning of year	<u>29,799,633</u>	<u>77,085,612</u>	<u>106,885,245</u>
Net assets at end of year	<u>\$ 35,474,295</u>	<u>\$ 77,205,533</u>	<u>\$ 112,679,828</u>

See accompanying notes to consolidated financial statements.

BIG SHOULDERS FUND
CONSOLIDATED STATEMENT OF ACTIVITIES
For the year ended June 30, 2022

	2022		
	Without Donor <u>Retrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Changes in net assets - operating public support and other revenue			
Contributions	\$ 19,609,116	\$ 51,732,995	\$ 71,342,111
In-kind contributions	222,430	-	222,430
Less amounts designated to other organizations by donors	-	(21,087,264)	(21,087,264)
Fund-raising events revenue, net	19,516	573,951	593,467
Total public support and event revenue	<u>19,851,062</u>	<u>31,219,682</u>	<u>51,070,744</u>
Net interest income - operating	118,415	-	118,415
Endowment earnings used for programs and operations	1,110,397	743,635	1,854,032
Net assets released from restrictions	<u>16,395,675</u>	<u>(16,395,675)</u>	<u>-</u>
Net contributions and other revenue available for operations	<u>37,475,549</u>	<u>15,567,642</u>	<u>53,043,191</u>
Expenses			
Program expense	27,843,958	-	27,843,958
Management expense	1,631,132	-	1,631,132
Fund-raising expense	1,021,142	-	1,021,142
Total expenses	<u>30,496,232</u>	<u>-</u>	<u>30,496,232</u>
Changes in net assets - operating	<u>6,979,317</u>	<u>15,567,642</u>	<u>22,546,959</u>
Changes in net assets - non-operating			
Contributions	-	188,261	188,261
Net investment return - non-operating	(7,017,323)	(2,391,048)	(9,408,371)
Less endowment earnings used for programs and operations	<u>(1,110,397)</u>	<u>(743,635)</u>	<u>(1,854,032)</u>
Changes in net assets - non-operating	<u>(8,127,720)</u>	<u>(2,946,422)</u>	<u>(11,074,142)</u>
Changes in net assets	(1,148,403)	12,621,220	11,472,817
Net assets at beginning of year	<u>30,948,036</u>	<u>64,464,392</u>	<u>95,412,428</u>
Net assets at end of year	<u>\$ 29,799,633</u>	<u>\$ 77,085,612</u>	<u>\$ 106,885,245</u>

See accompanying notes to consolidated financial statements.

BIG SHOULDERS FUND
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets (total operating and non-operating activities)	\$ 5,794,583	\$ 11,472,817
Adjustments to reconcile change in net assets to net cash flow provided by operating activities:		
Net investment (gains) losses	(6,704,133)	9,837,979
Depreciation expense	11,174	15,962
Contributions for permanent endowment fund	(223,950)	(188,261)
Noncash lease expense	180,162	-
Changes in assets and liabilities:		
Pledges receivable	(141,610)	(8,509,139)
Other assets	(994,432)	17,437
Accounts payable and accrued expenses	(45,550)	79,356
Deferred revenue	33,183	26,180
Agency payable	942,310	(1,203,440)
Lease liability	(140,113)	-
Grants payable	2,321,835	5,083,853
Net cash flow provided by operating activities	1,033,459	16,632,744
Cash flows from investing activities		
Purchases of investments	(12,785,214)	(21,592,891)
Proceeds from sales of investments	9,507,091	8,845,239
Net cash flow used in investing activities	(3,278,123)	(12,747,652)
Cash flows from financing activities		
Contributions for permanent endowment fund	223,950	188,261
Net cash flow provided by financing activities	223,950	188,261
Change in cash and cash equivalents	(2,020,714)	4,073,353
Cash and cash equivalents at beginning of year	37,038,814	32,965,461
Cash and cash equivalents at end of year	\$ 35,018,100	\$ 37,038,814
Supplementary cash flow information		
Lease liability due to implementation of ASC 842, leases on July 1, 2022	\$ 523,397	\$ -

See accompanying notes to consolidated financial statements.

BIG SHOULDERS FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023 and 2022

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 consolidated 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 consolidated financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation: The consolidated financial statements include the accounts of Big Shoulders Fund and Southeast Side Experience Incubator (SSEI).

SSEI was incorporated in 2022, with the Fund as the single member, and began operations on July 1, 2022, to serve as a platform for programs and activities benefiting schools in the Big Shoulders Fund network. Beginning in the 2022-2023 school year, the St. Francis de Sales High School Work Study Program will provide students with an opportunity to gain valuable life experience and develop real world job skills while continuing to receive a high-quality college prep education.

Basis of Accounting: The consolidated 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 consolidated 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 consolidated statement of cash flows 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 consolidated 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 consolidated statement of activities as net assets released from restrictions.

(Continued)

BIG SHOULDERS FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions: Unconditional contributions with a readily determinable fair value are reflected in the consolidated 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.

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, 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 consolidated 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 consolidated statement of financial position, they are recorded as liabilities of the Fund. Expenditures made because 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 consolidated 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 based on 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 more than 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 in 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.

(Continued)

BIG SHOULDERS FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 consolidated 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.

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 will be recorded if it is not recoverable.

Right of Use Assets and Lease Liabilities: In February 2016, the FASB (Financial Accounting Standards Board) 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 (Generally Accepted Accounting Principles). For non-public business entities, the amendments in ASU 2016-02 are effective for fiscal years beginning after December 15, 2022. The Fund has implemented this ASU on July 1, 2022, using the modified retrospective approach. The Fund elected the optional practical expedient package which, among other things, includes retaining the historical classification of leases.

Right of use ("ROU") assets represent the Funds right to use the underlying assets for the lease term and lease liabilities represent the net present value of the Funds obligation to make payments arising from these leases. The lease liabilities are based on the present value of fixed lease payments over the lease term using the Funds incremental borrowing rate on the lease commencement date. If the lease includes one or more options to extend the term of the lease, the renewal option is considered in the lease term if it is reasonably certain the Fund will exercise the options. Operating lease expense is recognized on a straight-line basis over the term of the lease. As permitted by ASC 842, leases with an initial term of twelve months or less ("short-term leases") are not recorded on the accompanying consolidated statements of financial position.

The Fund has lease agreements with lease and non-lease components, which are accounted for as a single lease component under the practical expedient provisions of the standard.

Variable lease payments consist mainly of common area maintenance, utilities, and taxes, not included in the recognition of ROU assets and related lease liabilities. Variable lease payments and short-term lease expenses were immaterial to the Funds consolidated financial statements for the year ended June 30, 2023. The Funds lease agreements do not contain material restrictive covenants. The Fund determines if an arrangement is a lease at inception.

Deferred Revenue: The Fund's contract liabilities are presented as deferred revenue in the consolidated statements of financial position. 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.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 donor restricted net assets. For the Fund, this category includes contributions and investment income not related to donor restricted 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.

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 can 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.

(Continued)

BIG SHOULDERS FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 3 - INVESTMENTS AND INVESTMENT RETURN (Continued)

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.

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>2023</u>					
Large cap equity funds	\$ 8,099,308	\$ -	\$ 9,382,522	\$ 17,481,830	24.4%
Small / Mid cap equity funds	1,765,535	-	4,220,909	5,986,444	8.4%
International equity - developed market funds	-	-	9,629,703	9,629,703	13.4%
International equity - emerging market funds	-	-	4,009,032	4,009,032	5.6%
Hedged equity funds	-	-	6,989,390	6,989,390	9.8%
Absolute return funds	-	-	3,563,979	3,563,979	5.0%
Private investments	-	-	12,176,714	12,176,714	17.0%
Liquidating funds	-	-	443,110	443,110	0.6%
Fixed income	5,310,163	2,913,425	3,095,869	11,319,457	15.8%
Total investments	<u>\$ 15,175,006</u>	<u>\$ 2,913,425</u>	<u>\$ 53,511,228</u>	<u>\$ 71,599,659</u>	<u>100%</u>
Percent of total	21.2%	4.1%	74.7%	100.0%	

(Continued)

BIG SHOULDERS FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 3 - INVESTMENTS AND INVESTMENT RETURN (Continued)

<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>2022</u>					
Large cap equity funds	\$ 6,856,584	\$ -	\$ 7,903,888	\$ 14,760,472	24.0%
Small / Mid cap equity funds	1,537,652	-	2,143,481	3,681,133	6.0%
International equity - developed market funds	-	-	5,119,377	5,119,377	8.3%
International equity - emerging market funds	-	-	3,857,386	3,857,386	6.3%
Hedged equity funds	-	-	6,114,241	6,114,241	9.9%
Absolute return funds	-	-	3,402,928	3,402,928	5.5%
Private investments	-	-	10,437,148	10,437,148	16.9%
Liquidating funds	-	-	1,643,102	1,643,102	2.7%
Fixed income	<u>6,930,543</u>	<u>2,975,343</u>	<u>2,695,730</u>	<u>12,601,616</u>	20.5%
Total investments	<u>\$ 15,324,779</u>	<u>\$ 2,975,343</u>	<u>\$ 43,317,281</u>	<u>\$ 61,617,403</u>	<u>100%</u>
Percent of total	24.9%	4.8%	70.3%	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 2023 or 2022.

The Fund makes alternate investments that require an upfront financial commitment. The commitment may be reduced by periodic capital calls from investment managers. The Fund's maximum commitment to future capital calls is \$5,074,000 and \$4,576,000 on June 30, 2023, and 2022, 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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Investments allocable to endowments	\$ 35,389,758	\$ 33,450,248
General investments of the Fund	<u>36,209,901</u>	<u>28,167,155</u>
Total Investments	<u>\$ 71,599,659</u>	<u>\$ 61,617,403</u>
Investment return allocable to endowments	\$ 3,524,068	\$ (5,582,938)
Investment return allocable to general investments	<u>3,461,425</u>	<u>(3,825,433)</u>
Total investment return	<u>\$ 6,985,493</u>	<u>\$ (9,408,371)</u>

(Continued)

BIG SHOULDERS FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 3 - INVESTMENTS AND INVESTMENT RETURN (Continued)

The following tables summarize the basic strategies of each investment, valuation methods, and redemption restrictions:

	<u>Fair Value</u> <u>2023</u>	<u>Fair Value</u> <u>2022</u>	<u>Level / NAV</u>	<u>Liquidity</u> <u>Terms</u>	<u>Notice</u> <u>Requirement</u>
Large Cap Equity					
Large Cap U S Equities	\$ 8,099,308	\$ 6,856,584	1	Daily	On Demand
Large Cap Equity Fund, concentrated long only equity strategy	5,291,748	4,407,924	NAV	Quarterly	30 Days
Diversified long-only fund that primarily invests in U S equities	4,090,774	3,495,965	NAV	Monthly	30 Days
Small / Mid Cap Equity					
Concentrated value-based equity strategy focusing on companies with a market capitalization of \$1 to \$12.5 billion	2,324,175	2,143,481	NAV	Monthly	30 Days
Holds 25 high quality small to mid-cap growth stocks that are conviction weighted based on bottom-up, fundamental research.	1,765,535	1,537,652	1	Daily	On Demand
International Equity, generally international stocks (90S)	1,896,734	-	NAV	Quarterly	60 Days
International Developed and Emerging					
International Equity, generally international stocks (30)	2,028,379	1,672,801	NAV	Monthly	30 Days
International Equity, generally international stocks (90)	2,153,491	1,723,139	NAV	Quarterly	90 Days
International Equity, generally international stocks (360)	3,581,700	-	NAV	More than 1 year	120 Days
International equity - all markets	1,866,133	1,723,437	NAV	Daily	On Demand
International Equity, Asia only	2,065,680	2,096,528	NAV	Monthly	30 Days
International Equity Fund, generally specific geographical area	1,943,352	1,760,858	NAV	Weekly	5 Days
Hedged Equity					
Hedged Equity Fund, generally stocks	6,989,390	6,114,241	NAV	Annual	45 Days
Absolute Return					
Absolute Return Fund, event driven debt and equity investments	2,159,352	2,067,559	NAV	Quarterly	65 Days
Absolute Return Fund, stressed corporate debt, distressed corporate debt, deep value and special situation equities, and low loan-to-value high yield debt	1,404,627	1,335,369	NAV	Quarterly	75 Days

(Continued)

BIG SHOULDERS FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 3 - INVESTMENTS AND INVESTMENT RETURN (Continued)

	<u>Fair Value</u> <u>2023</u>	<u>Fair Value</u> <u>2022</u>	<u>Level / NAV</u>	<u>Liquidity</u> <u>Terms</u>	<u>Notice</u> <u>Requirement</u>
Private Investments					
Private Equity, secondary market	\$ 7,085,483	\$ 6,762,125	NAV		No withdrawals allowed, initial term of 10 years
An opportunistic strategy that will invest in loans and securitizations that fall outside the primary funds mandate.	407,979	151,479	NAV		No withdrawals allowed, initial term years
Alternative Fixed Income Fund, event driven debt and equity investments	1,227,668	724,554	NAV		No withdrawals allowed, initial term years
Global Technology, Media, and Telecom (TMT) investment manager	1,527,610	1,465,718	NAV	More than 1 year	90 Days
Fully-integrated, multi-stage investment manager that invests in public and private healthcare and life science companies	1,927,974	1,333,272	NAV	Quarterly	90 Days
Liquidating Funds					
Absolute Return Fund, primarily invest in credit, loans, and high yield, but can also invest in equity and derivatives.	443,110	1,643,102	NAV	More than 1 year	Liquidating funds
Fixed Income					
Fixed Income Mutual Fund, short/intermediate high quality debt instruments	3,357,063	3,304,850	1	Daily	On Demand
Fixed Income, individual corporate and government bonds	2,913,425	2,975,343	2	Daily	On Demand
Federal Money Market Fund, which invests in U.S. government securities	1,953,100	3,625,692	1	Daily	On Demand
Fixed income investments in the senior layers of the capital structure of leveraged companies	<u>3,095,869</u>	<u>2,695,730</u>	NAV	Semi-Annual	60 Days
Total	<u>\$ 71,599,659</u>	<u>\$ 61,617,403</u>			

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.

(Continued)

BIG SHOULDERS FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 4 - ENDOWMENTS (Continued)

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 5% in 2023 and 5% in 2022, respectively. Based on this policy, endowment earnings of \$1,808,507 and \$1,854,032 were appropriated for expenditure and used for operations for the years ended June 30, 2023 and 2022, respectively. Assets are considered appropriated for expenditure in the year for which the Executive Committee authorizes the actual expenditure.

Endowments, which represent only a portion of investments, are composed of the following as of June 30, 2023 and 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>2023</u>			
Donor-restricted endowment funds and unappropriated earnings	\$ -	\$ 15,249,126	\$ 15,249,126
Internally-designated funds	<u>20,140,632</u>	<u>-</u>	<u>20,140,632</u>
Total endowment funds	<u>\$ 20,140,632</u>	<u>\$ 15,249,126</u>	<u>\$ 35,389,758</u>
 <u>2022</u>			
Donor-restricted endowment funds and unappropriated earnings	\$ -	\$ 14,254,903	\$ 14,254,903
Internally-designated funds	<u>19,195,345</u>	<u>-</u>	<u>19,195,345</u>
Total endowment funds	<u>\$ 19,195,345</u>	<u>\$ 14,254,903</u>	<u>\$ 33,450,248</u>

(Continued)

BIG SHOULDERS FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 4 - ENDOWMENTS (Continued)

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 more than related temporarily restricted amounts are reported in net assets without donor restriction. The fair value of certain individual funds was approximately \$17,000 and \$38,000 below historical cost on June 30, 2023 and 2022, respectively. UPMIFA does allow the expenditure of funds from these endowments if the Fund deems it prudent and the donor has not stated otherwise.

Changes in endowment net assets for the years ended June 30, 2023, and 2022 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Total endowment funds, July 1, 2021	\$ 23,507,120	\$ 17,191,837	\$ 40,698,957
New gifts	-	188,261	188,261
Funds released from endowment			
Earnings appropriated for expenditure and used for programs and operations	(1,110,397)	(743,635)	(1,854,032)
Net investment return	<u>(3,201,378)</u>	<u>(2,381,560)</u>	<u>(5,582,938)</u>
Total endowment funds, June 30, 2022	19,195,345	14,254,903	33,450,248
New gifts	-	223,950	223,950
Earnings appropriated for expenditure and used for programs and operations	(1,063,201)	(745,306)	(1,808,507)
Net investment return	<u>2,008,488</u>	<u>1,515,579</u>	<u>3,524,067</u>
Total endowment funds, June 30, 2023	<u>\$ 20,140,632</u>	<u>\$ 15,249,126</u>	<u>\$ 35,389,758</u>

NOTE 5 - PLEDGES RECEIVABLE

For measurement purposes, discount rates between 0.58% and 5.9% are used to determine the present value of pledges receivable, which includes an adjustment for risk premium. Aging and valuation on June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Due in		
Less than one year	\$ 9,468,384	\$ 7,878,320
Two to five years	19,620,555	18,170,195
More than five years	<u>3,025,000</u>	<u>5,328,400</u>
Gross pledges receivable	32,113,939	31,376,915
Less allowance for uncollectible pledges	(25,000)	(25,000)
Less discount to risk-adjusted present value	<u>(4,720,581)</u>	<u>(4,125,167)</u>
Pledges receivable, net	<u>\$ 27,368,358</u>	<u>\$ 27,226,748</u>

(Continued)

BIG SHOULDERS FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Funds restricted for scholarships and grants to schools	\$ 34,944,138	\$ 36,018,287
Pledges receivable, net	24,422,514	26,812,422
Pledges receivable, net - with time restrictions	2,589,755	-
Donor-restricted endowment funds and unappropriated earnings	<u>15,249,126</u>	<u>14,254,903</u>
Total net assets with donor restrictions	<u>\$ 77,205,533</u>	<u>\$ 77,085,612</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 on June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Furniture and equipment	\$ 137,052	\$ 137,052
Vehicles	59,985	59,985
Leasehold improvements	<u>147,789</u>	<u>147,789</u>
Total fixed assets	344,826	344,826
Less allowance for depreciation	<u>(306,605)</u>	<u>(295,431)</u>
Fixed assets, net	<u>\$ 38,221</u>	<u>\$ 49,395</u>

The provision for depreciation of furniture, equipment, and leasehold improvements amounted to \$11,174 and \$15,962 for the years ended June 30, 2023 and 2022, 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.

(Continued)

BIG SHOULDERS FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023 and 2022

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 consolidated statements of financial position. 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>2018-2021</u>	<u>2022</u>	<u>2023</u>	<u>Total</u>
Tax credit scholarship funds received				
January to June	\$ 19,580,366	\$ 2,560,317	\$ 3,786,595	\$ 25,927,278
July to December	43,027,550	17,049,038	-	60,076,588
Administrative retention (5%)	<u>(3,130,396)</u>	<u>(980,466)</u>	<u>(189,330)</u>	<u>(4,300,192)</u>
 Total funds received	 59,477,520	 18,628,889	 3,597,265	 <u>\$ 81,703,674</u>
Carryover from prior year	<u>-</u>	<u>6,182,030</u>	<u>5,387,228</u>	
 Total funds available for distribution	 <u>\$ 59,477,520</u>	 <u>\$ 24,810,919</u>	 <u>\$ 8,984,493</u>	
 Tax credit scholarship funds disbursed for the academic year beginning July 1				
July to December	\$ 28,726,118	\$ 7,540,072	\$ -	\$ 36,266,190
January to June (of the following year)	<u>24,569,372</u>	<u>11,883,619</u>	<u>-</u>	<u>36,452,991</u>
 Total funds disbursed	 <u>\$ 53,295,490</u>	 <u>\$ 19,423,691</u>	 <u>\$ -</u>	 <u>\$ 72,719,181</u>
 Percent distributed by calendar year	 90%	 78%	 N/A	 89%

The percentage of annual receipts distributed through date of audit report (for calendar years 2018 – 2023) is approximately 89%.

(Continued)

BIG SHOULDERS FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 9 - GRANTS PAYABLE

The Fund awards operating, capital and programmatic grants to schools, and incurs other expenses for specific programs benefiting schools within the educational system. Certain grants may cover multiple years. At June 30, 2023 and 2022, grants payable were not discounted as all material grants are to be payable within one year. Grants payable on June 30, 2023 and 2022, are as follows:

	<u>2023</u>	<u>2022</u>
Grants to Schools due in one year	\$ 11,369,245	\$ 9,047,410
Grants to Schools due in two or more years	<u>183,920</u>	<u>183,920</u>
 Total grants payable	 <u>\$ 11,553,165</u>	 <u>\$ 9,231,330</u>

NOTE 10 - CONTRIBUTED SERVICES

The Fund received contributed services from outside entities of \$17,655 and \$222,430 during the years ended June 30, 2023, and 2022, respectively. Contributed services recognized comprise professional services from attorneys advising the Fund on various administrative legal matters. Contributed services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar legal services. The receipt and use of these services are shown as revenue and expenses in the consolidated 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 May 2023.

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>2023</u>	<u>2022</u>
Event revenue	\$ 5,881,373	\$ 864,225
Event expenses	<u>(849,978)</u>	<u>(270,758)</u>
 Fund-raising events revenue, net	 <u>\$ 5,031,395</u>	 <u>\$ 593,467</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 CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 12 - EXPENSES

The summary of expenses for the year ended June 30, 2023, 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>2023</u>									
Grants to schools and other organizations	\$ 11,626,933	\$ 607,690	\$ 392,929	\$ 510,817	\$ 3,299,656	\$ 16,438,025	\$ -	\$ -	\$ 16,438,025
Services/goods provided to schools	776,411	59,396	937,901	16,222	337,406	2,127,336	-	-	2,127,336
Scholarships and other assistance	<u>2,321,835</u>	<u>50,247</u>	<u>127,590</u>	<u>26,883,187</u>	<u>65,000</u>	<u>29,447,859</u>	-	-	<u>29,447,859</u>
Total grants and scholarships	14,725,179	717,333	1,458,420	27,410,226	3,702,062	48,013,220	-	-	48,013,220
Less expenditures for agency transactions	<u>(504,022)</u>	-	-	<u>(19,430,173)</u>	<u>(418,594)</u>	<u>(20,352,789)</u>	-	-	<u>(20,352,789)</u>
Net grants and scholarships expense	14,221,157	717,333	1,458,420	7,980,053	3,283,468	27,660,431	-	-	27,660,431
Salaries and related benefits	916,064	516,330	746,682	960,418	1,231,503	4,370,997	1,163,783	906,756	6,441,536
All other expenses	<u>226,510</u>	<u>652,705</u>	<u>876,184</u>	<u>824,269</u>	<u>859,412</u>	<u>3,439,080</u>	<u>636,215</u>	<u>377,731</u>	<u>4,453,026</u>
Total expenses	<u>\$ 15,363,731</u>	<u>\$ 1,886,368</u>	<u>\$ 3,081,286</u>	<u>\$ 9,764,740</u>	<u>\$ 5,374,383</u>	<u>\$ 35,470,508</u>	<u>\$ 1,799,998</u>	<u>\$ 1,284,487</u>	<u>\$ 38,554,993</u>
Percent of total	39.8%	5.0%	8.0%	25.3%	13.9%	92.0%	4.7%	3.2%	100.0%

(Continued)

BIG SHOULDERS FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 12 - EXPENSES (Continued)

The summary of expenses for the year ended June 30, 2022, 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
<u>2022</u>									
Grants to schools and other organizations	\$ 6,005,592	\$ 586,908	\$ 441,902	\$ 158,048	\$ 624,820	\$ 7,817,270	\$ -	\$ -	\$ 7,817,270
Services/goods provided to schools	968,662	23,174	631,902	15,361	523,924	2,163,023	-	-	2,163,023
Scholarships and other assistance	4,959,068	67,618	93,134	28,578,547	25,075	33,723,442	-	-	33,723,442
Total grants and scholarships	11,933,322	677,700	1,166,938	28,751,956	1,173,819	43,703,735	-	-	43,703,735
Less expenditures for agency transactions	(711,372)	-	-	(21,488,788)	(90,544)	(22,290,704)	-	-	(22,290,704)
Net grants and scholarships expense	11,221,950	677,700	1,166,938	7,263,168	1,083,275	21,413,031	-	-	21,413,031
Salaries and related benefits	825,180	433,503	649,345	809,848	875,595	3,593,471	1,027,320	655,650	5,276,441
All other expenses	356,299	248,624	852,316	830,507	549,710	2,837,456	603,812	365,492	3,806,760
Total expenses	<u>\$ 12,403,429</u>	<u>\$ 1,359,827</u>	<u>\$ 2,668,599</u>	<u>\$ 8,903,523</u>	<u>\$ 2,508,580</u>	<u>\$ 27,843,958</u>	<u>\$ 1,631,132</u>	<u>\$ 1,021,142</u>	<u>\$ 30,496,232</u>
Percent of total	40.7%	4.5%	8.8%	29.2%	8.2%	91.4%	5.3%	3.3%	100%

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 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.

(Continued)

BIG SHOULDERS FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023 and 2022

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 consolidated financial statements.

Management estimates that these conditional scholarship awards that may be provided by the Fund on June 30, 2023 are:

Year ending June 30,	
2024	\$ 5,165,620
2025	3,749,850
2026	3,059,100
2027	2,569,600
2028	2,166,900
Thereafter	<u>3,748,400</u>
Total	<u>\$ 20,459,470</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. Based on school budgets, management estimates that committed operational support for fiscal year 2024 to be approximately \$10,111,000. Thereafter, conditional operating support is based on the original legal agreement.

Year ending June 30,	
2024	\$ 10,110,707
2025	4,752,060
2026	4,752,060
2027	4,752,060
2028	<u>4,572,060</u>
Total	<u>\$ 28,938,947</u>

(Continued)

BIG SHOULDERS FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 14 - LEASE

The Fund has obligations as a lessee for office space. The lease began in October of 2010 and was extended in April 2020 to expire in June 2025. An extension option for an additional 5 years if available, however, management is not reasonably certain that the extension will be exercised. Payments due under the lease contract include fixed payments plus variable payments. The Funds lease requires variable payments for the Funds share of the building's property taxes, insurance, and common area maintenance. These variable lease payments are not included in lease payments used to determine lease liability and are recognized as variable costs when incurred.

The lease has a term remaining of 2 years and the discount rate used is 3.15%. Cash paid for the year ended June 30, 2023, and 2022, is \$180,776 and \$191,494 respectively.

Future minimum payments related to the lease is as follows as of June 30:

2024	\$ 182,330
2025	<u>211,777</u>
	394,107
Less imputed interest	<u>(10,823)</u>
Total lease liability	<u>\$ 383,284</u>

Rent expense for the years ended June 30, 2023 and 2022, was \$198,925 and \$195,475 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 the fiscal years 2023 and 2022, the Fund contributed \$148,777 and \$130,541, 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. SSEI is a low-profit limited liability company under section 1-26 of the Illinois Limited Liability Company Act (805 ILCS 180/1-26) and will be treated as a disregarded entity by the Fund.

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.

(Continued)

BIG SHOULDERS FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 16 - TAX-EXEMPT STATUS (Continued)

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 the last three fiscal years. 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, 2023 and 2022. The Fund has determined that its tax provisions satisfy the more likely than not criterion and that no provision for income taxes is required on June 30, 2023 and 2022.

NOTE 17 - LIQUIDITY AND AVAILABILITY

The following reflects the Fund's financial assets as of the consolidated statement of financial position date, reduced by amounts not available within one year of the consolidated statement of financial position 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:

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.

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 35,018,100	\$ 37,038,814
Investments	71,599,659	61,617,403
Gross pledges receivable	32,113,939	31,376,915
Gross pledges receivable scheduled for collection >1 year	(22,645,555)	(23,498,595)
Endowment, including board designated endowment	(35,389,758)	(33,450,248)
Agency payables	(9,737,684)	(8,795,374)
Annual endowment draw	<u>1,800,000</u>	<u>1,500,000</u>
Financial assets available for general use	<u>\$ 72,758,701</u>	<u>\$ 65,788,915</u>

NOTE 18 - SUBSEQUENT EVENTS

Management has performed an analysis of the activities and transactions after June 30, 2023, to determine the need for any adjustments or additional disclosures within the audited consolidated financial statements for the year ended June 30, 2023. Management has performed their analysis through October 16, 2023, the date the consolidated financial statements were available to be issued.

Subsequent to June 30, 2023, the Fund signed an amended agreement with the Archdiocese of Chicago to provide financial support to 5 additional schools. For the fiscal year ended June 30, 2024, the Fund estimates this commitment to be \$1,463,000.