THE SCHOLARSHIP FOUNDATION OF ST. LOUIS

REVIEWED FINANCIAL STATEMENTS

Year Ended December 31, 2013
(With Comparative Totals for 2012)

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
The Scholarship Foundation of St. Louis

We have reviewed the accompanying statement of assets, liabilities and net assets - modified cash basis of The Scholarship Foundation of St. Louis (the Foundation) (a Missouri not-for-profit corporation) as of December 31, 2013, and the related statements of revenues and expenses and changes in net assets, functional expenses, and cash flows, all presented on a modified cash basis, for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Foundation management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion. The prior year summarized comparative information has been derived from the Foundation's financial statements for the year ended December 31, 2012 and, in our report dated February 15, 2013, stated that based on our procedures, we were not aware of any material modifications that should be made to those financial statements in order for them to be in conformity with the modified cash basis of accounting.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the modified cash basis of accounting, as described in Note 1.

UHY LLP

St. Louis, Missouri
February 25, 2014

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS
December 31, 2013 (With Comparative Totals for 2012)

	December 31, 2013	December 31, 2012
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**$ 1,218,750**	$ 1,278,483
Unconditional promises-to-give	**75,721**	61,058
Student loan receivables - current	**2,000,000**	1,975,000
Interest receivable	**4,990**	5,602
Investments	**442,000**	750,000
Prepaid expenses	**11,171**	10,700
Total current assets	**3,752,632**	4,080,843
LONG-TERM ASSETS		
Unconditional promises-to-give	**66,419**	75,316
Student loan receivables	**22,112,560**	20,987,884
Investments	**7,752,594**	6,538,528
Property and equipment	**2,366,102**	2,404,051
Total long-term assets	**32,297,675**	30,005,779
Total assets	**$ 36,050,307**	$ 34,086,622
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	**$ 301,170**	$ 260,075
Deferred revenue and amounts held for collaborative programming	**187,627**	110,436
Annuities payable	**29,218**	29,218
Total current liabilities	**518,015**	399,729
ANNUITIES PAYABLE - LONG-TERM	**124,153**	148,097
NET ASSETS		
Unrestricted		
Undesignated, available for operations	**3,725,785**	3,540,940
Net investment in student loans	**24,112,560**	22,962,884
Net investment in property and equipment	**2,366,102**	2,404,051
Board designated reserves	**765,000**	716,000
	30,969,447	29,623,875
Temporarily restricted	**955,388**	716,125
Permanently restricted	**3,483,304**	3,198,796
Total net assets	**35,408,139**	33,538,796
Total liabilities and net assets	**$ 36,050,307**	$ 34,086,622

See notes to financial statements and independent accountant's review report.

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS
STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN NET ASSETS - MODIFIED CASH BASIS
Year Ended December 31, 2013 (With Comparative Totals for 2012)

	Years Ended December 31, 2013				2012
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	(Comparative Totals Only)
PUBLIC SUPPORT AND REVENUE					
Public support					
Gifts and grants	$ 421,282	$ 162,000	$ 284,508	$ 867,790	$ 574,808
Bequests	300,000	-	-	300,000	314,000
Tributes	32,109	3,375	-	35,484	29,264
Contributions	499,554	-	-	499,554	472,778
	1,252,945	165,375	284,508	1,702,828	1,390,850
Revenue					
Shop sales, net of cost of shop operations of $1,787,630 and $1,728,163 for the years ended December 31, 2013 and 2012, respectively	1,420,693	-	-	1,420,693	1,598,818
Interest and dividends	107,697	81,768	-	189,465	152,700
Realized and unrealized gains (losses) on investments	449,082	340,513	-	789,595	441,668
Losses from annuities and trusts	(3,462)	(315)	-	(3,777)	(19,401)
Loss on disposal of assets	-	-	-	-	(3,700)
Other	439	-	-	439	355
	1,974,449	421,966	-	2,396,415	2,170,440
Net assets released from restrictions	348,078	(348,078)	-	-	-
Total public support and revenue	3,575,472	239,263	284,508	4,099,243	3,561,290
EXPENSES					
Program services, excluding student loans awarded of $3,218,728 and $3,125,997 for the years ended December 31, 2013 and 2012, respectively	1,620,516	-	-	1,620,516	1,439,251
Supporting services					
Management and general	320,508	-	-	320,508	315,150
Fund raising	288,876	-	-	288,876	249,143
Total expenses	2,229,900	-	-	2,229,900	2,003,544
CHANGES IN NET ASSETS	1,345,572	239,263	284,508	1,869,343	1,557,746
NET ASSETS, Beginning	29,623,875	716,125	3,198,796	33,538,796	31,981,050
NET ASSETS, Ending	$ 30,969,447	$ 955,388	$ 3,483,304	$ 35,408,139	$ 33,538,796

See notes to financial statements and independent accountant's review report.

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS
STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
Year Ended December 31, 2013 (With Comparative Totals for 2012)

	Years Ended December 31,				
	2013				2012
		Supporting Services			
	Program Services	Management and General	Fund Raising	Total	(Comparative Totals Only)
Salaries and Wages	$ 570,826	$ 143,929	$ 139,137	$ 853,892	$ 742,467
Payroll Taxes and Employee Benefits	99,377	23,859	23,670	146,906	154,034
	670,203	167,788	162,807	1,000,798	896,501
Advertising	890	-	891	1,781	1,825
Collection Costs	9,149	-	-	9,149	14,587
Depreciation	42,895	10,816	10,455	64,166	54,938
Information Technology	30,872	24,831	25,117	80,820	49,494
Insurance	8,770	2,211	2,138	13,119	12,304
Meetings	5,373	6,890	2,246	14,509	18,474
Miscellaneous and Equipment Rental	20,145	11,586	4,230	35,961	40,239
Occupancy	13,449	3,391	3,278	20,118	17,180
Office Expenses	16,758	4,976	11,197	32,931	41,473
Printing	925	8,707	15,664	25,296	39,314
Professional Fees	41,396	71,154	42,834	155,384	147,869
Provision for Uncollectible Loans	142,039	-	-	142,039	174,104
Repair and Maintenance	16,545	4,172	4,033	24,750	30,581
Service Charges	3,986	3,986	3,986	11,958	10,492
Student Grants Awarded	597,121	-	-	597,121	454,169
TOTAL EXPENSES	1,620,516	320,508	288,876	2,229,900	2,003,544
Student Loans Awarded	3,218,728	-	-	3,218,728	3,125,997
TOTAL EXPENSES AND LOANS AWARDED - 2013	$ 4,839,244	$ 320,508	$ 288,876	$ 5,448,628	
PERCENTAGE - 2013	88.8 %	5.9 %	5.3 %	100.0 %	
TOTAL EXPENSES AND LOANS AWARDED - 2012	$ 4,565,248	$ 315,150	$ 249,143		$ 5,129,541
PERCENTAGE - 2012	89.0 %	6.1 %	4.9 %		100.0 %

See notes to financial statements and independent accountant's review report.

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
Year Ended December 31, 2013 (With Comparative Totals for 2012)

	Years Ended December 31, 2013	Years Ended December 31, 2012
OPERATING ACTIVITIES		
Changes in net assets	**$ 1,869,343**	$ 1,557,746
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities		
Donation of investments	**-**	100,413
Gains on investments	**(789,595)**	(441,668)
Losses from annuities and trusts	**3,777**	19,401
Depreciation	**199,452**	174,619
Loss on disposal of assets	**-**	3,700
Provision for uncollectible loans	**142,039**	174,104
Permanently restricted contributions	**(284,508)**	(113,156)
Changes in		
Unconditional promises-to-give	**(5,766)**	761,709
Student loan receivables		
New loans awarded	**(3,218,728)**	(3,125,997)
Loans repaid	**1,927,013**	1,935,847
Interest receivable	**612**	2,379
Prepaid expenses	**(471)**	(572)
Accounts payable and accrued expenses	**41,095**	(2,606)
Deferred revenue and amounts held for collaborative programming	**77,191**	38,164
Annuities payable	**(27,721)**	(27,404)
Net cash provided (used) by operating activities	**(66,267)**	1,056,679
INVESTING ACTIVITIES		
Purchase of property and equipment	**(161,503)**	(147,044)
Purchases of investments	**(4,732,013)**	(5,474,754)
Proceeds from sale of investments	**4,615,542**	4,355,192
Net cash used by investing activities	**(277,974)**	(1,266,606)
FINANCING ACTIVITIES		
Proceeds from contributions restricted for endowment	**284,508**	113,156
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(59,733)**	(96,771)
CASH AND CASH EQUIVALENTS, Beginning	**1,278,483**	1,375,254
CASH AND CASH EQUIVALENTS, Ending	**$ 1,218,750**	$ 1,278,483

See notes to financial statements and independent accountant's review report.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist in understanding the Foundation's financial statements. These accounting policies conform to the modified cash basis of accounting.

History and Business Activity

The Scholarship Foundation of St. Louis (the Foundation) is a not-for-profit organization founded in 1920. The Foundation provides access to post-secondary education to members of the community who otherwise would not have the financial means to fulfill their educational goals. This mission is accomplished by awarding interest-free loans and grants to students, as well as providing guidance and planning assistance. Approximately 10,600 students have been awarded more than $62,000,000 in interest-free loans and more than $4,400,000 in grants and paid internships since the Foundation was established. One in six donors is a former Foundation recipient.

The Foundation operates ScholarShop, an upscale resale shop with locations in Clayton and Webster Groves, Missouri. ScholarShop was established for the sole purpose of providing funds for student loans. The general public donates clothing, accessories, and collectibles that are sold back to the general public through these retail shops.

Comparative Totals

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with the modified cash basis of accounting. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2012, from which the summarized information was derived.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Financial Statement Presentation

The Foundation primarily uses the accrual basis of accounting. The modified cash basis of accounting is used on certain revenues and expenses in which revenues are recognized when received rather than earned and expenses are recognized when paid rather than when incurred. The following transactions are recorded on the modified cash basis:

- The Foundation does not record the value for its inventory of donated merchandise sold or held for resale in ScholarShop.

- The Foundation does not discount long-term student loan receivables to present value amounts.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

The Foundation's resources are classified for accounting and reporting purposes into three asset categories according to externally (donor) imposed restrictions. A description of the three net asset categories is as follows:

Unrestricted Net Assets - Includes resources available for support of operations, which have no donor imposed restrictions. All contributions are considered to be available for unrestricted use and available for operations unless specifically restricted by the donor. The Foundation's unrestricted net assets are presented in the accompanying statements of assets, liabilities and net assets - modified cash basis as follows:

- Undesignated: represents resources available for current operations
- Investment in student loans: represents outstanding student loan receivables
- Investment in property and equipment: represents the net book value of property and equipment
- Board designated reserves: represents resources that the governing board has designated unrestricted net assets to be reserved for a) operating expenses, b) program commitments to renewing students, and c) repair, maintenance and capital expenditures.

Temporarily Restricted Net Assets - Represent those net assets whose use has been limited by donor-imposed stipulations that either specify expenditures or expire by passage of time. Net assets in this classification are primarily related to time and program restrictions.

Permanently Restricted Net Assets - Represent those net assets that must be maintained in perpetuity, the income from which can be spent for program related expenses.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with original maturities of three months or less when purchased to be cash equivalents, except money market funds held by brokerage firms. Cash equivalents are stated at cost, which approximates market value.

The Foundation from time to time during the year may have bank balances in excess of its insured limits. Management has deemed this as a normal business risk.

Unconditional Promises-to-Give

Promises-to-give are recognized as contributions in the period the promises are received. Contributions expected to be received in future years are discounted to their present value at a rate of 4.0% and presented as long-term assets. At December 31, 2013 and 2012, management considers contributions receivable to be fully collectible; accordingly, no allowance for uncollectible pledges is recorded.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Conditional Promises-to-Give

In 2011, the Foundation was notified of its interest in a charitable lead annuity trust related to a bequest in 2009. The terms of the trust provide for the Foundation to receive 15 annual distributions of $300,000 per year; however, the terms of the trust provide the third party trustee with variance power after the first two years of payments to the Foundation. As a result, the Foundation's interest in future annual distribution is uncertain, and accordingly, the Foundation has not recognized an asset based on this annual condition. The estimated net present value of the conditional promises-to-give is approximately $2,670,000 at December 31, 2013 (using a discount rate of 3.04% based on a 10 year U.S. Treasury note).

Student Loan Receivables

The Foundation provides interest-free loans to students for post-secondary education. Loans are awarded twice a year with a maximum award of $9,000 per year for a student and lifetime maximum loan of $40,000.

Student loans are stated at cost when awarded. The student is obligated to start repaying loans upon graduation after twelve months of grace period or approved deferment period. Generally, repayment of loans is scheduled over five years. No interest is charged or accrued on loans while a student is actively enrolled in school or during the scheduled or approved repayment period.

The allowance for uncollectable loans is increased by provisions charged to expense and reduced by accounts charged off, net of recoveries. The allowance for uncollectible loans is maintained at a level considered adequate to provide for potential loan losses at 3% of gross student loans outstanding. Past due or default status is determined based on contractual terms.

If any student loan installment becomes delinquent and new contractual terms are not reached, the entire balance owed shall immediately become due and payable. The balance owed shall bear interest at a rate equal to the lesser of ten percent (10%) per year or the highest lawful rate. In addition, the debtor is liable for all costs of collection including reasonable attorney's fees. Interest income on student loans is recognized only to the extent cash payments are received. The Foundation's practice is to charge off any loan or portion of a loan when the loan is determined by management to be uncollectible due to the debtor's failure to meet repayment terms, the debtor's deteriorating or deteriorated financial condition, or for other reasons.

Investments

Investments consist of certificates of deposit, mutual funds, and municipal bonds. Those with original maturities of less than three months from the date of purchase are classified as cash equivalents. Additionally, those with maturities greater than three months but less than one year are classified as current investments, whereas those with maturities greater than one year are classified as long-term investments. Investments are presented in the financial statements at fair value. The fair value of substantially all securities is determined by quoted market prices. The estimated fair value of securities for which there are no quoted market prices is based on similar types of securities that are traded in the market. Gains or losses on securities are based on the average cost method.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Foundation determines the fair values of its financial instruments based on the fair value hierarchy established which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

Financial instruments are considered Level 1 when valuation can be based on quoted prices in active markets for identical assets or liabilities. Level 2 financial instruments are valued using 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 of substantially the full term of the assets or liabilities. Financial instruments are considered Level 3 when their values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable and when determination of the fair value requires significant management judgment or estimation.

Declines in the fair value of individual investments below their cost that are other-than-temporary result in write-downs of the individual securities to their fair value. The related write-downs are included in earnings as realized losses. In estimating other-than-temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the St. Louis Region to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

Property and Equipment

Purchases of property and equipment with values of $1,000 or more are capitalized, while all other purchases are recorded as expense in the year purchased. Property and equipment are recorded at cost, if purchased, or at estimated fair market value on the date of receipt, if donated.

Depreciation of property and equipment is provided on the straight-line method over the following estimated useful lives:

	Years
Land Improvements	10
Building and Building Improvements	10 - 30
Leasehold Improvements	Term of Lease
Furniture and Fixtures	5 - 7

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions, Grants, and Deferred Revenue and Amounts Held for Collaborative Programming

All contributions are considered to be available for the general programs of the Foundation unless specifically restricted by the donor. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are released to unrestricted net assets and reported in the statement of revenues and expenses and changes in net assets as net assets released from restrictions. Donor restricted contributions are recorded in the temporarily restricted class for restrictions expiring during the fiscal year, and then transferred to the unrestricted class.

Grants are generally recognized as income in the period that specific services are performed. However, certain grants may qualify as contributions, and accordingly, they are recognized as support when made.

Deferred revenues and amounts held for collaborative programming consists primarily of funds collected in advance on collaborative arrangements.

Annuity Trusts, Gift Annuities, and Beneficial Interests in Trusts

The Foundation is beneficiary and trustee of two annuity trusts. As the trustee, the Foundation is required to invest the funds, and to make annual distributions to the donor or specified beneficiaries and the Foundation has the residual interest in the remainder trust assets.

The Foundation entered into gift annuity agreements for which the donor contributed assets in exchange for distribution of annuity payments to the donor or beneficiaries for their remaining lives.

The liabilities for the future payments to donors or beneficiaries have been recorded using published actuarial lives and discount rates based on the return yields of the trust assets. The annuity trusts and gift annuities were recorded at fair value in the year the irrevocable gift agreements were signed and the difference between the fair value of donated assets and the calculated liability has been recognized as contribution revenue. The Foundation annually revalues the liability for future annuity payments based on changes in actuarial assumptions.

The Foundation is a beneficiary of a unitrust. The Foundation has the irrevocable right to receive a percentage of the fair market value of the trust as stated in the agreement. The Foundation recorded an estimate of its share of the unitrust's net assets as long-term unconditional promises-to-give.

As disclosed in Note 1 (conditional promises-to-give), the Foundation recognized $300,000 of bequest revenue from a charitable lead annuity trust for each of the years ended December 31, 2013 and 2012.

ScholarShop Revenues

Shop revenues are recognized when merchandise is sold and are presented net of operating expenses on the statements of revenues and expenses and changes in net assets - modified cash basis.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Student Loans Awarded

The Foundation provides interest-free loans to qualified students for post-secondary education. The outstanding loans are presented on the Statement of Assets, Liabilities and Net Assets - Modified Cash Basis as student loan receivables.

Income Taxes

The Foundation is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Foundation's federal exempt organization business income tax returns for the statutory period are subject to examination by the IRS.

Advertising and Promotion

Advertising and promotion costs, primarily for ScholarShop, are charged to operations when incurred.

Functional Expenses

The Foundation allocates expenses on a functional basis among program and supporting services. Expenses that can be directly associated with a specific program are allocated directly according to their functional expense classification. Other expenses that are common to several functions are allocated by various statistical bases. Student loans awarded are considered program expenses.

ScholarShop expenses are netted with shop sales and are, therefore, excluded from the statement of functional expenses - modified cash basis.

Cash Flows Reporting

The Foundation has a policy to immediately sell donated securities from donors and utilize those resources for unrestricted activities unless restricted by the donor for long-term purposes. The Foundation recognized donated securities of $80,046 and $92,975 during the years ended December 31, 2013 and 2012, respectively.

Reclassifications

Certain reclassifications have been made to the financial statements for the year ended December 31, 2012, to conform to the presentation for the year ended December 31, 2013.

Subsequent Events

The Foundation has performed a review of events subsequent to the statement of assets, liabilities and net assets - modified cash basis date through February 25, 2014, the date the financial statements were available to be issued.

NOTE 2 — CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	December 31, 2013	December 31, 2012
Checking	$ 1,007,863	$ 1,092,435
Money Market Mutual Funds	210,887	186,048
Total cash and cash equivalents	$ 1,218,750	$ 1,278,483

NOTE 3 — STUDENT LOAN RECEIVABLES

Student loan receivables consist of the following:

	December 31, 2013	December 31, 2012
Loan Balances Not Yet in Repayment	$ 12,879,977	$ 13,188,781
Loan Balances in Repayment	11,978,332	10,484,296
Total student loan receivables	24,858,309	23,673,077
Less Allowance for Student Loan Losses	745,749	710,193
Net student loan receivables	24,112,560	22,962,884
Less Current Portion (Estimated Repayments in 2014)	2,000,000	1,975,000
Long-Term Student Loan Receivables (Estimated Repayments Beyond 2014)	$ 22,112,560	$ 20,987,884

Changes in the allowance for uncollectable loans are as follows:

	December 31, 2013	December 31, 2012
Balance, Beginning	$ 710,193	$ 678,768
Provision for uncollectable loans	142,039	174,104
Recoveries on loans	10,146	10,709
Less loans charged off	(116,629)	(153,388)
Balance, Ending	$ 745,749	$ 710,193

NOTE 3 — STUDENT LOAN RECEIVABLES (Continued)

The following table provides aging information on the Foundation's student loans:

		Students in Repayment			
	Students in School - Amounts Not Due	Current or Less Than 30 Days Past Due	30-89 Days Past Due	90 Days Past Due	Total
December 31, 2013					
Student Loans	$12,879,977	$ 9,162,927	$106,340	$ 2,709,065	$24,858,309
December 31, 2012					
Student Loans	$13,188,781	$ 7,731,378	$132,621	$ 2,620,297	$23,673,077

The following table provides information about the credit risk of student loans using the Foundation's internal review process. Student loans are generally not due and payable while a student is enrolled in school and during a one year grace period following graduation. These loan balances are classified as low risk. Loans that are not yet in repayment or are in repayment and being paid on schedule are also classified as low risk. When a student loan is in repayment status and a portion of the debtor's loan balance becomes past due, communication between the Foundation and debtor may result in extension or deferment of the debt. This group of debtors is considered average risk as there is a detailed review of the debtor's current financial condition and ongoing communication between the Foundation and the debtor. When communication with the debtor ceases or there is a further deterioration of the debtor's performance in meeting loan repayment obligations, the loan balance is referred to an external professional collection firm. Even though there is a strong repayment track record by this group of debtors, the loan balance in collections is rated as doubtful and is watched closely for improvement or further deterioration.

	December 31,	
	2013	2012
Student Loans		
Average or lower risk	$ 22,240,661	$ 21,046,810
Doubtful	2,617,648	2,626,267
	$ 24,858,309	$ 23,673,077

NOTE 4 — INVESTMENTS

Investments consist of the following:

	December 31, 2013	December 31, 2012
Certificates of Deposit (CDs)	$ 442,000	$ 900,651
Mutual Funds		
Dimensional Fund Advisors (DFA) U.S. Core Equity 2	1,779,755	1,364,691
DFA Five Year Global Fixed	1,053,904	838,270
Vanguard GNMA Fund	1,018,071	791,546
Vanguard Short-Term Investment Grade	1,429,059	1,185,965
All other mutual funds	2,099,702	1,827,704
Municipal Bonds	372,103	379,701
	8,194,594	7,288,528
Less Short-Term Investment	442,000	750,000
	$ 7,752,594	$ 6,538,528

NOTE 5 — FAIR VALUE MEASUREMENTS

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The following are the major categories of assets and liabilities measured at fair value on a recurring basis:

	Level 1 Quoted Prices in Active Markets for Identical Assets	Level 2 Significant Other Observable Inputs	Level 3 Significant Unobservable Inputs	Fair Value	Fair Value
	December 31, 2013				December 31, 2012
Assets					
CDs	$ -	$ 442,000	$ -	$ 442,000	$ 900,651
Mutual funds					
Equities	3,879,457	-	-	3,879,457	3,192,395
Fixed income	3,501,034	-	-	3,501,034	2,815,781
Municipal bonds	-	372,103	-	372,103	379,701
2013 Totals	$ 7,380,491	$ 814,103	$ -	$ 8,194,594	
2012 Totals	$ 6,008,176	$ 1,280,352	$ -		$ 7,288,528
Liability-Annuities Payable					
2013	$ -	$ -	$ 153,371	$ 153,371	
2012	$ -	$ -	$ 177,315		$ 177,315

NOTE 5 — FAIR VALUE MEASUREMENTS (Continued)

Annuities payable are measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	December 31, 2013	December 31, 2012
Balance, Beginning	$ 177,315	$ 185,318
Revaluation of annuities payable	5,274	21,215
Payments	(29,218)	(29,218)
Balance, Ending	$ 153,371	$ 177,315

Gains (losses) included in earnings are reported as follows:

	Years Ended December 31, 2013	Years Ended December 31, 2012
Realized Gains (Losses) on Investments	$ 57,235	$ (374)
Unrealized Gains on Investments	732,360	442,042
	$ 789,595	$ 441,668

NOTE 6 — PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	December 31, 2013	December 31, 2012
Land	$ 423,412	$ 423,412
Land Improvements	137,452	137,452
Building and Building Improvements	4,214,006	4,098,660
Leasehold Improvements	290,636	290,636
Furniture and Fixtures	780,875	750,490
	5,846,381	5,700,650
Less Accumulated Depreciation	(3,480,279)	(3,296,599)
	$ 2,366,102	$ 2,404,051

NOTE 7 — ANNUITIES PAYABLE

The Foundation receives donations from benefactors in exchange for annuities that provide income to a named beneficiary (or beneficiaries) until their death. The difference between the amount of the donation and the present value of expected future payments to the beneficiary is recognized as revenue in the year of the donation. The total expected annual payments are $29,218 at December 31, 2013 and 2012. In calculating the present value of the annuities, the Foundation used a discount rate based on the IRS applicable federal rate for the month the contributions were received, which were applied to the current expected payoff based on the annuitant’s remaining expected life.

NOTE 7 — ANNUITIES PAYABLE (Continued)

Future maturities of annuities payable are as follows:

Year Ending December 31,		
2014 - Current Portion		$ 29,218
2015	$ 29,218	
2016	29,218	
2017	29,218	
2018	29,218	
Thereafter	7,281	124,153
		$ 153,371

NOTE 8 — TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	December 31, 2013	December 31, 2012
Program Restrictions		
Deedee Becker Fund - Loan to Nursing Students	$ 402,615	$ 429,880
Annuity Trust Funds	177,429	177,745
	580,044	607,625
Endowment Funds Income Restricted as to Time	305,344	-
Time Restrictions	70,000	108,500
	$ 955,388	$ 716,125

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

	Years Ended December 31, 2013	Years Ended December 31, 2012
Program Restrictions	$ 32,641	$ -
Time Restrictions	198,500	88,491
Endowment Appropriations	116,937	191,686
Total restrictions released	$ 348,078	$ 280,177

NOTE 9 — PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of the following:

	December 31,	
	2013	2012
Endowment Funds - Managed by the Foundation		
Borck Fund	$ 129,000	$ 129,000
Clark Cox Fund	250,000	250,000
DSL01 Fund	309,598	309,598
Kipnis Fund	253,600	253,600
Janney Fund	150,000	150,000
Horncrest Foundation Fund	1,993,442	1,993,442
Mildred E. and Francis R. Lynch Designated Scholarship Grant Fund	113,156	113,156
The Helen E. Nash, M.D. Educational Trust Fund for Underprivileged Students	278,508	-
Joanne Clevenger Nursing Scholars Fund	6,000	-
Total permanently restricted net assets	$ 3,483,304	$ 3,198,796

NOTE 10 — ENDOWMENT

The Foundation's endowment consists of various funds established for program purposes (Note 9). Its endowment includes donor restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor restrictions.

Uniform Prudent Management of Institutional Funds Act
During 2006, the Uniform Law Commission (ULC) approved the Uniform Prudent Management of Institutional Funds Act (UPMIFA) that serves as a guideline for states to use in enacting legislation related to the UPMIFA. In response to the ULC's act, the Financial Accounting Standards Board (FASB) issued Endowments of Not-for-Profit Organizations, effective for years ending after December 15, 2008, which requires substantial additional disclosures relating to endowments. Subsequent to year end, the State of Missouri passed legislation enacting a state version of the UPMIFA.

Interpretation of Relevant Law
The Board of Directors of the Foundation has interpreted State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted 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 permanently restricted net assets is classified by temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA.

NOTE 10 — ENDOWMENT (Continued)

Interpretation of Relevant Law (Continued)
In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds.

(1) The duration and preservation of the fund
(2) The purposes of the Foundation and the donor restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Foundation
(7) The investment policies of the Foundation

Return Objectives and Risk Parameters
The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor restricted funds that the Foundation must hold in perpetuity or for a donor specified period as well as Board designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the appropriate index while assuring a moderate level of investment risk. Therefore, the Foundation expects its endowment assets, over time, to produce an average rate of return of approximately 5.0% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives
To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives with prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy
The spending policy calculates the amount of money annually distributed from the Foundation's various endowed funds, for grant making and administration. In 2013, the Foundation established a new spending policy to distribute each year an amount at least equal to 3.5% of the endowment funds' average historical cost of the prior twelve quarters through the calendar year-end preceding the fiscal year. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets and consistency with programs and commitments to students over a long-term period.

NOTE 10 — ENDOWMENT (Continued)

Endowment net asset composition by type of fund is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
December 31, 2013				
Donor Restricted Endowment Funds - Managed by the Foundation	$ -	$ 305,344	$ 3,483,304	$ 3,788,648
December 31, 2012				
Donor Restricted Endowment Funds - Managed by the Foundation	$ -	$ -	$ 3,198,796	$ 3,198,796

Changes in endowment net assets are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
	December 31, 2013				December 31, 2012
Endowment Net Assets, Beginning of Year	$ -	$ -	$ 3,198,796	$ 3,198,796	$ 3,085,640
Gifts	-	-	284,508	284,508	113,156
Interest and Dividends	-	340,513	-	340,513	99,256
Investment Gains	-	81,768	-	81,768	92,430
Appropriated for Expenditure	-	(116,937)	-	(116,937)	(191,686)
	$ -	$ 305,344	$ 3,483,304	$ 3,788,648	$ 3,198,796

NOTE 11 — OPERATING LEASES

The Foundation leases certain equipment and shop space for its ScholarShop - Webster Groves location under operating leases which expire at various dates through 2018.

Minimum payments on these operating leases are as follows:

Year Ending December 31,	
2014	$ 116,471
2015	116,558
2016	121,315
2017	104,258
2018	17,391
	$ 475,993

NOTE 11 — OPERATING LEASES (Continued)

Rent expense, including common area maintenance, was $123,279 and $125,120 for the years ended December 31, 2013 and 2012, respectively, and is included in cost of shop operations.

Equipment rental expense was $11,890 and $14,368 for the years ended December 31, 2013 and 2012, respectively, and is included in administrative expenses.

NOTE 12 — SHOP SALES

Shop sales, net of cost of operations, of the Foundation's ScholarShop consist of the following:

	Years Ended December 31,	
	2013	2012
Shop Sales	$ 3,208,313	$ 3,326,981
Cost of Operations		
Salaries, payroll taxes and benefits	1,068,027	1,000,216
Rent	123,279	125,120
Advertising	132,804	132,492
Other operating expenses	328,224	350,654
Depreciation	135,286	119,681
	1,787,620	1,728,163
	$ 1,420,693	$ 1,598,818

Although not reflected in the accompanying statement of revenues and expenses and changes in net assets - modified cash basis, the Foundation estimates the value of donated goods to ScholarShop at approximately $4,354,000 and $4,559,000 for the years ending December 31, 2013 and 2012, respectively.

In addition, numerous volunteers have donated significant amounts of time to the two ScholarShop locations. Although no amounts have been reflected in the financial statements, management estimates the fair value of those services to be $263,134 and $281,026 for the years ending December 31, 2013 and 2012, respectively.

NOTE 13 — DEFERRED COMPENSATION 403(b) PLAN

The Foundation offers a 403(b) deferred compensation plan for all eligible employees upon their first day of employment. After two years of service, the Foundation matches the employee deferred amount, up to 20%. The Foundation contributed a total of $10,312 and $6,773 to the plan for the years ended December 31, 2013 and 2012, respectively.