

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS

REVIEWED FINANCIAL STATEMENTS

**Year Ended December 31, 2017
(With Comparative Totals for 2016)**

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 financial statements of The Scholarship Foundation of St. Louis (the Foundation) (a Missouri not-for-profit corporation), which comprise the statement of assets, liabilities and net assets - modified cash basis as of December 31, 2017, 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, and the related notes to the financial statements. 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the modified cash basis of accounting. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

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 accordance with the modified cash basis of accounting.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.

Report on Summarized Comparative Information

The prior year summarized comparative information has been derived from the Foundation's financial statements for the year ended December 31, 2016 and, in our report dated February 24, 2017, 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.

UHY LLP

St. Louis, Missouri
February 22, 2018

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS
December 31, 2017 (With Comparative Totals for 2016)

	December 31,	
	2017	2016
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,311,075	\$ 1,850,092
Unconditional promises-to-give	47,744	147,808
Student loan receivables - current	2,200,000	2,200,000
Investments	2,786,586	170,813
Prepaid expenses and other assets	16,333	31,345
Total current assets	<u>6,361,738</u>	<u>4,400,058</u>
LONG-TERM ASSETS		
Restricted funds for Future Forward Program	158,130	124,081
Unconditional promises-to-give	67,032	98,886
Student loan receivables	25,261,997	24,801,272
Investments	7,501,724	6,183,264
Property and equipment	85,275	2,358,788
Total long-term assets	<u>33,074,158</u>	<u>33,566,291</u>
Total assets	<u>\$ 39,435,896</u>	<u>\$ 37,966,349</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 263,326	\$ 376,292
Unconditional promises-to-give for Future Forward Program	158,130	124,081
Annuities payable	2,708	29,218
Total current liabilities	<u>424,164</u>	<u>529,591</u>
LONG-TERM LIABILITIES		
Accounts payable and accrued expenses	113,437	-
Annuities payable	6,586	102,204
Total long-term liabilities	<u>120,023</u>	<u>102,204</u>
Total liabilities	<u>544,187</u>	<u>631,795</u>
NET ASSETS		
Unrestricted		
Unrestricted, available for operations	2,685,709	1,926,536
Net investment in student loans	27,461,997	27,001,272
Net investment in property and equipment	85,275	2,358,788
Board designated program reserves	1,082,347	-
Board designated emergency reserves	610,000	800,000
Total unrestricted	<u>31,925,328</u>	<u>32,086,596</u>
Temporarily restricted	3,162,492	1,545,669
Permanently restricted	3,803,889	3,702,289
Total net assets	<u>38,891,709</u>	<u>37,334,554</u>
Total liabilities and net assets	<u>\$ 39,435,896</u>	<u>\$ 37,966,349</u>

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, 2017 (With Comparative Totals for 2016)

	Years Ended December 31,				2016 (Comparative Totals Only)
	2017			Total	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
PUBLIC SUPPORT AND REVENUE					
Public support					
Gifts and grants	\$ 577,409	\$ 1,385,475	\$ 101,600	\$ 2,064,484	\$ 1,146,076
Bequests	622,825	-	-	622,825	300,917
Contributions	340,432	293,550	-	633,982	533,038
	<u>1,540,666</u>	<u>1,679,025</u>	<u>101,600</u>	<u>3,321,291</u>	<u>1,980,031</u>
Revenue					
Interest and dividends	15,111	166,537	-	181,648	178,178
Gains on investments and restricted funds	61,493	513,216	-	574,709	342,787
Gains (losses) from annuities and trusts	8,590	(2,130)	-	6,460	(21,176)
Other	329	-	-	329	591
	<u>85,523</u>	<u>677,623</u>	<u>-</u>	<u>763,146</u>	<u>500,380</u>
Net assets released from restrictions	739,825	(739,825)	-	-	-
Total public support and revenue	<u>2,366,014</u>	<u>1,616,823</u>	<u>101,600</u>	<u>4,084,437</u>	<u>2,480,411</u>
EXPENSES					
Program services, excluding student loans awarded of \$2,963,907 for 2017 and \$3,180,856 for 2016	2,441,833	-	-	2,441,833	2,381,741
Supporting services					
Management and general	308,254	-	-	308,254	243,033
Fund raising	385,265	-	-	385,265	315,473
	<u>3,135,352</u>	<u>-</u>	<u>-</u>	<u>3,135,352</u>	<u>2,940,247</u>
CHANGES IN NET ASSETS FROM CONTINUING OPERATIONS	<u>(769,338)</u>	<u>1,616,823</u>	<u>101,600</u>	<u>949,085</u>	<u>(459,836)</u>
DISCONTINUED OPERATIONS					
Shop sales, net of retail and processing expenses of \$890,752 for 2017 and \$2,305,015 for 2016	244,770	-	-	244,770	420,458
Gain on sale of property	640,380	-	-	640,380	-
Transfer of donated assets	(100,846)	-	-	(100,846)	-
Transitional and sublease costs related to closure of ScholarShops	(176,234)	-	-	(176,234)	-
CHANGES IN NET ASSETS FROM DISCONTINUED OPERATIONS	<u>608,070</u>	<u>-</u>	<u>-</u>	<u>608,070</u>	<u>420,458</u>
CHANGES IN NET ASSETS	<u>(161,268)</u>	<u>1,616,823</u>	<u>101,600</u>	<u>1,557,155</u>	<u>(39,378)</u>
NET ASSETS, Beginning	<u>32,086,596</u>	<u>1,545,669</u>	<u>3,702,289</u>	<u>37,334,554</u>	<u>37,373,932</u>
NET ASSETS, Ending	<u>\$ 31,925,328</u>	<u>\$ 3,162,492</u>	<u>\$ 3,803,889</u>	<u>\$ 38,891,709</u>	<u>\$ 37,334,554</u>

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS
STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
Year Ended December 31, 2017 (With Comparative Totals for 2016)

	Years Ended December 31,				2016
	2017				
	Program Services	Supporting Services		Total	
Management and General		Fund Raising			
Salaries and Wages	\$ 663,415	\$ 159,591	\$ 184,518	\$ 1,007,524	\$ 938,959
Payroll Taxes and Employee Benefits	<u>109,446</u>	<u>26,327</u>	<u>30,432</u>	<u>166,205</u>	<u>155,107</u>
	<u>772,861</u>	<u>185,918</u>	<u>214,950</u>	<u>1,173,729</u>	<u>1,094,066</u>
Collection Costs	9,551	-	-	9,551	12,526
Community Programs	137,798	-	-	137,798	196,407
Depreciation	28,413	6,835	7,900	43,148	73,969
Information Technology	21,215	12,497	22,964	56,676	42,452
Insurance	11,812	2,842	3,285	17,939	18,716
Meetings	8,639	256	857	9,752	25,903
Miscellaneous and Equipment Rental	21,136	10,059	6,216	37,411	39,145
Occupancy	72,275	17,386	20,097	109,758	21,676
Office Expenses	12,345	2,969	3,432	18,746	27,256
Printing	4,819	3,946	14,129	22,894	22,632
Professional Fees	33,085	52,936	78,288	164,309	145,226
Provision for Uncollectible Loans	225,982	-	-	225,982	218,882
Repair and Maintenance	14,319	3,445	3,982	21,746	15,668
Service Charges	18,331	9,165	9,165	36,661	30,323
Grants Awarded	<u>1,049,252</u>	<u>-</u>	<u>-</u>	<u>1,049,252</u>	<u>955,400</u>
TOTAL EXPENSES	<u>2,441,833</u>	<u>308,254</u>	<u>385,265</u>	<u>3,135,352</u>	<u>2,940,247</u>
Student Loans Awarded	<u>2,963,907</u>	<u>-</u>	<u>-</u>	<u>2,963,907</u>	<u>3,180,856</u>
TOTAL EXPENSES AND LOANS AWARDED - 2017	<u>\$ 5,405,740</u>	<u>\$ 308,254</u>	<u>\$ 385,265</u>	<u>\$ 6,099,259</u>	
PERCENTAGE - 2017	<u>88.6</u> %	<u>5.1</u> %	<u>6.3</u> %	<u>100.0</u> %	
TOTAL EXPENSES AND LOANS AWARDED - 2016	<u>\$ 5,562,597</u>	<u>\$ 243,033</u>	<u>\$ 315,473</u>		<u>\$ 6,121,103</u>
PERCENTAGE - 2016	<u>90.8</u> %	<u>4.0</u> %	<u>5.2</u> %		<u>100.0</u> %

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, 2017 (With Comparative Totals for 2016)

	<u>Years Ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
OPERATING ACTIVITIES		
Changes in net assets	\$ 1,557,155	\$ (39,378)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities		
Gain on sale of property and equipment	(640,380)	-
Gains on investments and restricted funds	(574,709)	(342,787)
Annuity liquidation resulting in contribution	(110,438)	-
(Gains) losses from annuities and trusts	(6,460)	21,176
Depreciation	153,527	308,101
Transfer of donated assets	43,552	-
Provision for uncollectible loans	225,982	218,882
Provision for sublease costs related to closure of ScholarShops	125,000	-
Permanently restricted contributions for endowment	(101,600)	(1,850)
Changes in		
Restricted funds for Centennial Scholars Program	-	14,301
Unconditional promises-to-give	131,918	221,010
Student loan receivables		
New loans awarded	(2,963,907)	(3,180,856)
Loans repaid	2,277,200	2,217,887
Prepaid expenses and other assets	15,012	(2,991)
Accounts payable and accrued expenses	(124,529)	24,808
Unconditional promises-to-give for Future Forward Program	34,049	8,501
Annuities payable	(5,230)	(28,617)
Net cash provided (used) by operating activities	<u>36,142</u>	<u>(561,813)</u>
INVESTING ACTIVITIES		
Purchases of property and equipment	(83,275)	(367,186)
Proceeds from sale of property and equipment	2,800,089	-
Purchases of investments	(6,013,613)	(537,535)
Proceeds from sale of investments	2,637,140	1,028,077
Restricted funds for Future Forward Program	(17,100)	(50,000)
Net cash provided (used) by investing activities	<u>(676,759)</u>	<u>73,356</u>
FINANCING ACTIVITIES		
Proceeds from contributions restricted for endowment	101,600	1,850
Net cash provided by financing activities	<u>101,600</u>	<u>1,850</u>
NET DECREASE IN CASH	(539,017)	(486,607)
CASH, Beginning	<u>1,850,092</u>	<u>2,336,699</u>
CASH, Ending	<u>\$ 1,311,075</u>	<u>\$ 1,850,092</u>
NONCASH OPERATING AND INVESTING ACTIVITIES		
Transfer of donated assets	\$ 43,552	\$ -
Decrease in construction payable	\$ -	\$ (105,643)

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

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS
December 31, 2017 (With Comparative Totals for 2016)

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 11,250 students have been awarded more than \$75,300,000 in interest-free loans and more than \$8,300,000 in grants and paid internships since the Foundation was established. One in six donors is a former Foundation recipient.

The Foundation operated ScholarShop, an upscale resale shop with locations in Clayton and Webster Groves, Missouri. ScholarShop was established for the purpose of providing funds for student loans. The general public donated clothing, accessories, and collectibles that were sold back to the general public through these retail shops. In September 2016, the Board of Directors voted to begin the process to close the ScholarShop stores and focus on maximizing assistance to area students. The ScholarShop stores were closed in 2017, and accordingly, the Foundation has presented that financial information as discontinued operations.

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, 2016, 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, except for the following transactions:

- The Foundation does not record inventory and contributions for the value of donated merchandise for resale in ScholarShop. As a result, the Foundation does not record cost of sales for the sale of donated merchandise.
- The Foundation does not discount long-term student loan receivables to present value amounts.

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS
December 31, 2017 (With Comparative Totals for 2016)

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

- Unrestricted: represents resources available for current program services and 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 program reserves: represents resources set aside for specific program needs (primarily loans and grants) as determined by the governing board
- Board designated emergency 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 with certain offsets, and
 - c) repair, maintenance and capital expenditures.

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

Cash

Cash includes checking and depository accounts.

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.

Restricted Funds

Restricted funds represent cash and investments that are restricted for specific programs.

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS
December 31, 2017 (With Comparative Totals for 2016)

NOTE 1 — Summary of Significant Accounting Policies (Continued)

Unconditional Promises-to-Give (Assets)

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, 2017 and 2016, management considers contributions receivable to be fully collectible; accordingly, no allowance for uncollectible pledges is recorded.

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 of \$1,958,695 is approximately \$1,800,000 at December 31, 2017 (using a discount rate of 2.33% based on a 7 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 \$11,000 per year for a student and lifetime maximum loan of \$55,000.

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 uncollectible 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 4% of gross student loans outstanding. Past due or default status is based on contractual terms as stated in the signed promissory note.

If any student loan installment becomes delinquent and new contractual terms are not reached, the accounts are turned over to a collection agency and 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 deteriorating or deteriorated financial condition, or for other reasons.

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS
December 31, 2017 (With Comparative Totals for 2016)

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments consist of mutual funds, money market funds, certificates of deposit, and municipal bonds. Additionally, the money market funds and certificates of deposit with maturities 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.

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.

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS
December 31, 2017 (With Comparative Totals for 2016)

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (Continued)

Depreciation of property and equipment is provided according to the following methods and estimated useful lives (Note 6):

	Method	Years
Land Improvements	Straight-line	10
Building and Building Improvements	Straight-line	10 - 30
Leasehold Improvements	Straight-line	Term of lease
Equipment	Straight-line	5 - 7
Furniture and Fixtures	Straight-line	5 - 7
Vehicle	Double-declining	5

Contributions and Grants

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 - modified cash basis 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. The Foundation reports certain restricted contributions as unrestricted when the restriction is fulfilled in the same time period in which the contribution is received.

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

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses includes \$130,394 of estimated accrued lease obligation representing the difference between the Processing Center lease obligation, expected common area maintenance costs and expected sublease rental income (Note 11). Additionally, the Foundation has a sublease deposit of \$9,448 as of December 31, 2017 (included in long-term accounts payable and accrued expenses).

Unconditional Promises-to-Give for Future Forward Program (Liabilities)

Unconditional promises-to-give for Future Forward Program (Section 529 College Savings accounts) are recorded as liabilities and expenses in the period the promises are made.

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS
December 31, 2017 (With Comparative Totals for 2016)

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Annuity Trusts, Gift Annuities, and Beneficial Interests in Trusts

The Foundation was a beneficiary and trustee of two annuity trusts. As the trustee, the Foundation was 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. During 2017, these trusts were terminated, and accordingly, the Foundation recognized \$110,438 of additional contributions from the liquidation of the annuities during the year ended December 31, 2017.

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 had 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 public support bequest revenue from a charitable lead annuity trust for each of the years ended December 31, 2017 and 2016.

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.

Grants Awarded

Grants are recognized as expense based on actual award and/or date of promise.

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 SCHOLARSHIP FOUNDATION OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS
December 31, 2017 (With Comparative Totals for 2016)

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Discontinued operations expenses are 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 \$121,924 and \$260,898 during the years ended December 31, 2017 and 2016, respectively.

Reclassifications

Certain reclassifications have been made to the financial statements for the year ended December 31, 2016 to conform to the presentation for the year ended December 31, 2017.

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 22, 2018, the date the financial statements were available to be issued.

NOTE 2 — RESTRICTED FUNDS

Restricted funds, including program funding and future commitments, consist of the following:

	December 31,	
	2017	2016
Centennial Scholars Program (current) (a)	\$ -	\$ -
Future Forward Program (long-term) (b)	158,130	124,081
BJC Scholars Fund Program (long-term) (c)	-	-
Total restricted funds	<u>\$ 158,130</u>	<u>\$ 124,081</u>

- (a) The Centennial Scholars Program was launched during 2014 in collaboration with Big Brothers Big Sisters of Eastern Missouri (BBBSEMO) to award scholarships to the high school graduating class of 2014, who were Little Brothers, Little Sisters in BBBSEMO's mentoring programs. Students may receive up to eight semesters of funding at a maximum of \$5,000 per semester for undergraduate studies. The program is funded by a donor on a reimbursement basis in which the Foundation receives the funds, when the Littles apply or reapply and meet the requirements annually. For the year ended December 31, 2017 and 2016, the Foundation granted awards of \$215,200 and \$306,200, respectively, for this program. This program is scheduled for significant expansion in 2018.

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NOTE 2 — RESTRICTED FUNDS (Continued)

- (b) The Future Forward Program (a 529 College Saving Plan), was launched during 2014 to establish college saving accounts for students attending two local middle schools and a youth agency. As of December 31, 2017, the Foundation committed and funded a total of \$158,130 to open the student saving accounts with MOST – Missouri’s 529 College Saving Plan. The Foundation is the owner of these accounts with the student listed as the beneficiary. The Foundation has conditionally pledged additional funding up to \$900 per student based on certain criteria as defined in the Future Forward Program. These funds are invested in the Vanguard Conservative Growth Portfolio fund (mutual fund, level 1 fair value – Note 5) and had unrealized gains of \$16,949 and \$-0- for the years ended December 31, 2017 and 2016, respectively.
- (c) The BJC Scholars Fund Program agreement was signed during November 2016 between BJC Health System (BJC) and the Foundation. This program will award scholarships to high school graduates in the communities that BJC hospitals are located starting 2017. Each year, BJC will fund \$140,000 to be awarded to 14 new students (\$10,000 per student per academic year) pursuing higher education and students may receive additional awards of \$10,000 per year for four subsequent academic years as long as the student reapplies and continues to meet eligibility requirements. The program is funded by BJC on a reimbursement basis in which the Foundation receives the funds when the Foundation identifies the new students and verifies the renewing students meet renewal requirements. Additionally, BJC will grant the Foundation \$28,000 annually for student support services such as advising, workshops, financial aid counseling, and additional funding opportunities. For the year ended December 31, 2017, the Foundation granted awards of \$140,000 for this program.

NOTE 3 — STUDENT LOAN RECEIVABLES

Student loan receivables consist of the following:

	December 31,	
	2017	2016
Loan Balances Not Yet in Repayment	\$ 12,821,859	\$ 13,773,300
Loan Balances in Repayment	<u>15,784,388</u>	<u>14,353,025</u>
Total student loan receivables	28,606,247	28,126,325
Less Allowance for Student Loan Losses	<u>1,144,250</u>	<u>1,125,053</u>
Net student loan receivables	27,461,997	27,001,272
Less Current Portion (Estimated Repayments in 2018)	<u>2,200,000</u>	<u>2,200,000</u>
Long-Term Student Loan Receivables (Estimated Repayments Beyond 2018)	<u>\$ 25,261,997</u>	<u>\$ 24,801,272</u>

Changes in the allowance for uncollectible loans are as follows:

	As of and for the Years Ended December 31,	
	2017	2016
Balance, Beginning	\$ 1,125,053	\$ 1,094,049
Provision for uncollectible loans	225,932	218,882
Recoveries on loans	33,631	29,874
Less loans charged off	<u>(240,366)</u>	<u>(217,752)</u>
Balance, Ending	<u>\$ 1,144,250</u>	<u>\$ 1,125,053</u>

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS
December 31, 2017 (With Comparative Totals for 2016)

NOTE 3 — STUDENT LOAN RECEIVABLES (Continued)

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

	Students in School - Amounts Not Due (*)	Students in Repayment			Total
		Current or Less Than 30 Days Past Due	30-89 Days Past Due	90 Days Past Due	
December 31, 2017					
Student Loans	<u>\$12,821,859</u>	<u>\$ 10,697,085</u>	<u>\$166,271</u>	<u>\$4,921,032</u>	<u>\$28,606,247</u>
December 31, 2016					
Student Loans	<u>\$13,773,300</u>	<u>\$ 9,953,673</u>	<u>\$166,738</u>	<u>\$ 4,232,614</u>	<u>\$28,126,325</u>

(*) Including grace period.

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,	
	2017	2016
Student Loans		
Average or lower risk	\$ 24,557,898	\$ 24,641,332
Doubtful (in collection)	<u>4,048,349</u>	<u>3,484,993</u>
	<u>\$ 28,606,247</u>	<u>\$ 28,126,325</u>

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS
December 31, 2017 (With Comparative Totals for 2016)

NOTE 4 — INVESTMENTS

Investments consist of the following:

	December 31,	
	2017	2016
Mutual Funds		
Dimensional Fund Advisors (DFA) U.S. Core Equity 2	\$ 1,204,407	\$ 1,592,388
DFA Five Year Global Fixed	533,802	666,153
Vanguard GNMA Fund	539,323	668,105
Vanguard Short-Term Investment Grade	718,642	887,428
All other mutual funds	<u>2,063,791</u>	<u>1,963,265</u>
	5,059,965	5,777,339
Money Market Funds	1,388,153	170,813
Certificates of Deposit	3,840,192	-
Municipal Bonds	<u>-</u>	<u>405,925</u>
	10,288,310	6,354,077
Less Short-Term Investments	<u>2,786,586</u>	<u>170,813</u>
	<u>\$ 7,501,724</u>	<u>\$ 6,183,264</u>

Gains (losses) included in earnings on investments and restricted funds are reported as follows:

	Years Ended December 31,	
	2017	2016
Realized Gains	\$ 444,120	\$ 35,176
Unrealized Gains	<u>130,589</u>	<u>307,611</u>
	<u>\$ 574,709</u>	<u>\$ 342,787</u>

Professional fees include investment advisory fees of \$26,001 and \$26,637 for the years ended December 31, 2017 and 2016, respectively.

NOTE 5 — FAIR VALUE MEASUREMENTS

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at December 31, 2017 and 2016.

Mutual funds: Valued at the daily closing price reported by the fund, which is the quoted net asset value (NAV) of shares.

Money market funds and certificates of deposit: Valued at quoted prices in markets that are not active which the individual securities are traded.

Municipal bonds: Valued at quoted prices in markets that are not active which the individual bonds securities are traded.

Annuities payable: Valued at the present value of expected future payments to the beneficiary.

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS
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December 31, 2017 (With Comparative Totals for 2016)

NOTE 5 — FAIR VALUE MEASUREMENTS (Continued)

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, 2016
	December 31, 2017				
<i>Assets-Investments</i>					
<i>Mutual funds</i>					
Equities	\$ 2,951,977	\$ -	\$ -	\$ 2,951,977	\$ 3,555,653
Fixed income	2,107,988	-	-	2,107,988	2,221,686
Money market funds	-	1,388,153	-	1,388,153	170,813
Certificates of deposit	-	3,840,192	-	3,840,192	-
Municipal bonds	-	-	-	-	405,925
2017 Totals	<u>\$ 5,059,965</u>	<u>\$ 5,228,345</u>	<u>\$ -</u>	<u>\$ 10,288,310</u>	
2016 Totals	<u>\$ 5,777,339</u>	<u>\$ 576,738</u>	<u>\$ -</u>		<u>\$ 6,354,077</u>
<i>Assets-Restricted Funds</i>					
2017	<u>\$ 158,130</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 158,130</u>	
2016	<u>\$ 124,081</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ 124,081</u>
<i>Liability-Annuities Payable</i>					
2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,294</u>	<u>\$ 9,294</u>	
2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 131,422</u>		<u>\$ 131,422</u>

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

	As of and for the Years Ended December 31,	
	2017	2016
Balance, Beginning	\$ 131,422	\$ 138,863
Annuity liquidation resulting in contribution	(110,438)	-
Revaluation of annuities payable	(6,577)	21,777
Payments	(5,113)	(29,218)
Balance, Ending	<u>\$ 9,294</u>	<u>\$ 131,422</u>

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS
December 31, 2017 (With Comparative Totals for 2016)

NOTE 6 — PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	December 31,	
	2017	2016
Land	\$ -	\$ 423,412
Land Improvements	-	137,452
Building and Building Improvements	-	4,399,114
Leasehold Improvements	46,233	506,362
Equipment	98,276	311,949
Furniture and Fixtures	43,269	478,105
Vehicle	-	106,031
	<u>187,778</u>	<u>6,362,425</u>
Less Accumulated Depreciation	<u>(102,503)</u>	<u>(4,003,637)</u>
	<u>\$ 85,275</u>	<u>\$ 2,358,788</u>

During 2017, the Foundation sold substantially all property and equipment as a result of the closure of its ScholarShops and moved its corporate headquarters to new leased space. During 2017, the Foundation realized a gain on the sale of property and equipment of \$640,380.

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 \$2,708 and \$131,422 at December 31, 2017 and 2016, respectively. 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.

Future maturities of annuities payable are as follows:

Year Ending December 31,		
2018 - Current Portion		\$ 2,708
2019	\$ 2,708	
2020	2,708	
2021	<u>1,170</u>	<u>6,586</u>
		<u>\$ 9,294</u>

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS
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NOTE 8 — TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	December 31,	
	2017	2016
Program Restrictions		
Deedee Becker Fund - loan to nursing students	\$ 1,012,453	\$ 636,214
Other program restrictions	1,184,071	101,637
Annuity trust funds	<u>-</u>	<u>124,874</u>
	2,196,524	862,725
Endowment Funds - Income Restricted as to Time	880,313	459,154
Time Restrictions	<u>85,655</u>	<u>223,790</u>
	<u>\$ 3,162,492</u>	<u>\$ 1,545,669</u>

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 for the year ended December 31, 2017:

Program Restrictions	\$ 135,904
Endowment Appropriations	168,889
Time Restrictions	<u>435,032</u>
Total restrictions released	<u>\$ 739,825</u>

NOTE 9 — PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of the following:

	December 31,	
	2017	2016
Endowment Funds - Managed by the Foundation		
Borck Fund	\$ 129,000	\$ 129,000
Clark Cox Fund	250,000	250,000
Anonymous 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	285,773	284,173
The Joanne M. Clevinger Scholarship Fund	219,320	219,320
Arenberg Fund	<u>100,000</u>	<u>-</u>
Total permanently restricted net assets	<u>\$ 3,803,889</u>	<u>\$ 3,702,289</u>

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS
December 31, 2017 (With Comparative Totals for 2016)

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.

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.

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. 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.

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS
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NOTE 10 — ENDOWMENT (Continued)

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. The Foundation has a spending policy to distribute each year an amount at least equal to 4.5% 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.

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor Restricted Endowment Funds - Managed by the Foundation				
December 31, 2017	<u>\$ -</u>	<u>\$ 880,313</u>	<u>\$ 3,803,889</u>	<u>\$ 4,684,202</u>
December 31, 2016	<u>\$ -</u>	<u>\$ 459,154</u>	<u>\$ 3,702,289</u>	<u>\$ 4,161,443</u>

Changes in endowment net assets are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Total</u>
	As of and for the Years Ended				
	December 31, 2017				December 31, 2016
Endowment Net Assets					
Beginning of year	\$ -	\$ 459,154	\$ 3,702,289	\$ 4,161,443	\$ 3,853,000
Gifts	-	-	101,600	101,600	1,850
Interest and dividends	-	166,537	-	166,537	167,013
Gains on investments	-	423,511	-	423,511	306,141
Appropriated for expenditure	<u>-</u>	<u>(168,889)</u>	<u>-</u>	<u>(168,889)</u>	<u>(166,561)</u>
End of year	<u>\$ -</u>	<u>\$ 880,313</u>	<u>\$ 3,803,889</u>	<u>\$ 4,684,202</u>	<u>\$ 4,161,443</u>

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS
December 31, 2017 (With Comparative Totals for 2016)

NOTE 11 — OPERATING LEASES

The Foundation leases certain equipment and office space for ongoing operations under operating leases which expire at various dates through 2027.

Minimum payments on these operating leases are as follows:

Year Ending December 31,	
2018	\$ 148,754
2019	160,776
2020	163,250
2021	164,690
2022	158,130
Thereafter	<u>703,233</u>
	<u>\$ 1,498,833</u>

Effective July 2017, the processing center was subleased to an unaffiliated organization. The lease obligation and the expected common area maintenance costs related to the discontinued operations will be offset by the expected receipt of payments due under the sublease as follows:

Year Ending December 31,	Existing Lease Payments	Expected Common Area Maintenance	Expected Sublease Receipts	Net Lease Obligation#
2018	\$ 68,478	\$ 47,481	\$ (99,002)	\$ 16,957
2019	74,251	50,454	(100,598)	24,107
2020	79,042	53,645	(105,389)	27,298
2021	83,832	57,069	(110,179)	30,722
2022	<u>45,274</u>	<u>42,722</u>	<u>(56,686)</u>	<u>31,310</u>
	<u>\$ 350,877</u>	<u>\$ 251,371</u>	<u>\$ (471,854)</u>	130,394
			Current	<u>(16,957)</u>
			Long-Term	<u>\$ 113,437</u>

Included in accounts payable and accrued expenses.

Rent expense, including common area maintenance, was \$205,718 and \$229,093 for the years ended December 31, 2017 and 2016, respectively, and is included in cost of shop operations in the discontinued operations section.

Rent expense for ongoing operations, including common area maintenance, was \$80,156 for the year ended December 31, 2017, and is included in occupancy in the statement of functional expenses.

Equipment rental expense was \$17,782 and \$21,676 for the years ended December 31, 2017 and 2016, respectively, and is included in occupancy in the statement of functional expenses.

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS
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NOTE 12 — DISCONTINUED OPERATIONS

As disclosed in Note 1, the Foundation's ScholarShop stores were closed by midyear 2017, and accordingly, the Foundation has presented certain financial information as discontinued operations in the accompanying statement of revenues, expenses and changes in net assets - modified cash basis.

Shop revenues were recognized when merchandise was sold and are presented net of retail and processing expenses on the statement of revenues and expenses and changes in net assets - modified cash basis. Advertising for ScholarShop was charged to operations when incurred.

Shop sales, net of retail and processing expenses, of the Foundation's ScholarShop consist of the following:

	Years Ended December 31,	
	<u>2017 #</u>	<u>2016</u>
Shop Sales	\$ 1,135,522	\$ 2,725,473
Retail and Processing Expenses		
Salaries, payroll taxes and benefits	418,574	1,452,963
Rent	205,718	229,093
Advertising	5,808	79,435
Other operating expenses	150,273	309,392
Depreciation	<u>110,379</u>	<u>234,132</u>
	<u>890,752</u>	<u>2,305,015</u>
	<u>\$ 244,770</u>	<u>\$ 420,458</u>

Partial year through June 30, 2017

Although not reflected in the accompanying statement of revenues and expenses and changes in net assets - modified cash basis, the Foundation estimated the value of donated goods to ScholarShop at \$4,389,000 for the year ending December 31, 2016 (the last day ScholarShop accepted donations).

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 \$10,385 and \$10,861 to the plan for the years ended December 31, 2017 and 2016, respectively.

NOTE 14 — MAJOR PUBLIC SUPPORT

The Foundation received \$751,701 (23%) from one donor and \$612,000 (31%) from two donors of its total public support during the years ended December 31, 2017 and 2016, respectively.