THE SCHOLARSHIP FOUNDATION OF ST. LOUIS

REVIEWED FINANCIAL STATEMENTS

Year Ended December 31, 2012
(With Comparative Totals for 2011)

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS

TABLE OF CONTENTS

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, 2012, 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, 2011 and, in our report dated March 20, 2012, 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 15, 2013

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS

STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS

December 31, 2012 (With Comparative Totals for 2011)

	December 31, 2012	December 31, 2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**$ 1,278,483**	$ 1,375,254
Unconditional promises-to-give	**61,058**	794,632
Student loan receivables - current	**1,975,000**	2,025,000
Interest receivable	**5,602**	7,981
Investments	**750,000**	100,440
Prepaid expenses	**10,700**	10,128
Total current assets	**4,080,843**	4,313,435
LONG-TERM ASSETS		
Unconditional promises-to-give	**75,316**	103,451
Student loan receivables	**20,987,884**	19,921,838
Investments	**6,538,528**	5,727,271
Property and equipment	**2,404,051**	2,435,326
Total long-term assets	**30,005,779**	28,187,886
Total assets	**$ 34,086,622**	$ 32,501,321
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	**$ 260,075**	$ 262,681
Deferred revenue and amounts held for collaborative programming	**110,436**	72,272
Annuities payable	**29,218**	29,218
Total current liabilities	**399,729**	364,171
ANNUITIES PAYABLE - LONG-TERM	**148,097**	156,100
NET ASSETS		
Unrestricted		
Undesignated, available for operations	**3,540,940**	3,092,661
Net investment in student loans	**22,962,884**	21,946,838
Net investment in property and equipment	**2,404,051**	2,435,326
Board designated reserves	**716,000**	725,000
	29,623,875	28,199,825
Temporarily restricted	**716,125**	695,585
Permanently restricted	**3,198,796**	3,085,640
Total net assets	**33,538,796**	31,981,050
Total liabilities and net assets	**$ 34,086,622**	$ 32,501,321

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, 2012 (With Comparative Totals for 2011)

	Years Ended December 31, 2012 Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2011 (Comparative Totals Only)
PUBLIC SUPPORT AND REVENUE					
Public support					
Gifts and grants	**$ 336,652**	**$ 125,000**	**$ 113,156**	**$ 574,808**	$ 654,392
Bequests	**314,000**	**-**	**-**	**314,000**	775,401
Tributes	**29,264**	**-**	**-**	**29,264**	33,444
Contributions	**472,778**	**-**	**-**	**472,778**	461,834
	1,152,694	**125,000**	**113,156**	**1,390,850**	1,925,071
Revenue					
Shop sales, net of cost of shop operations of $1,728,163 and $1,709,590 for the years ended December 31, 2012 and 2011, respectively	**1,598,818**	**-**	**-**	**1,598,818**	1,432,602
Interest and dividends	**53,444**	**99,256**	**-**	**152,700**	105,412
Realized and unrealized gains (losses) on investments	**349,238**	**92,430**	**-**	**441,668**	(285,673)
Losses from annuities and trusts	**(3,432)**	**(15,969)**	**-**	**(19,401)**	(13,907)
Loss on disposal of assets	**(3,700)**	**-**	**-**	**(3,700)**	-
Other	**355**	**-**	**-**	**355**	336
	1,994,723	**175,717**	**-**	**2,170,440**	1,238,770
Net assets released from restrictions	**280,177**	**(280,177)**	**-**	**-**	-
Total public support and revenue	**3,427,594**	**20,540**	**113,156**	**3,561,290**	3,163,841
EXPENSES					
Program services, excluding student loans awarded of $3,125,997 and $3,185,618 for the years ended December 31, 2012 and 2011, respectively	**1,439,251**	**-**	**-**	**1,439,251**	1,496,368
Supporting services					
Management and general	**315,150**	**-**	**-**	**315,150**	315,582
Fund raising	**249,143**	**-**	**-**	**249,143**	250,002
Total expenses	**2,003,544**	**-**	**-**	**2,003,544**	2,061,952
CHANGES IN NET ASSETS	**1,424,050**	**20,540**	**113,156**	**1,557,746**	1,101,889
NET ASSETS, Beginning	**28,199,825**	**695,585**	**3,085,640**	**31,981,050**	30,879,161
NET ASSETS, Ending	**$ 29,623,875**	**$ 716,125**	**$ 3,198,796**	**$ 33,538,796**	$ 31,981,050

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, 2012 (With Comparative Totals for 2011)

	Years Ended December 31,				
	2012				2011
		Supporting Services			
	Program Services	Management and General	Fund Raising	Total	(Comparative Totals Only)
Salaries and Wages	$ 484,411	$ 135,218	$ 122,838	$ 742,467	$ 844,552
Payroll Taxes and Employee Benefits	101,035	27,645	25,354	154,034	158,976
	585,446	162,863	148,192	896,501	1,003,528
Advertising	1,325	-	500	1,825	2,113
Collection Costs	14,587	-	-	14,587	9,888
Depreciation	35,844	10,005	9,089	54,938	57,959
Information Technology	24,418	13,195	11,881	49,494	47,558
Insurance	8,027	2,241	2,036	12,304	12,103
Meetings	8,506	7,437	2,531	18,474	18,137
Miscellaneous and Equipment Rental	16,840	14,917	8,482	40,239	38,422
Occupancy	11,209	3,129	2,842	17,180	15,166
Office Expenses	20,973	11,474	9,026	41,473	34,313
Printing	7,155	15,358	16,801	39,314	31,269
Professional Fees	53,198	65,465	29,206	147,869	165,516
Provision for Uncollectible Loans	174,104	-	-	174,104	146,131
Repair and Maintenance	19,952	5,569	5,060	30,581	26,809
Service Charges	3,498	3,497	3,497	10,492	10,257
Student Grants Awarded	454,169	-	-	454,169	442,150
Travel	-	-	-	-	633
TOTAL EXPENSES	1,439,251	315,150	249,143	2,003,544	2,061,952
Student Loans Awarded	3,125,997	-	-	3,125,997	3,185,618
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 %	
TOTAL EXPENSES AND LOANS AWARDED - 2011	$ 4,681,986	$ 315,582	$ 250,002		$ 5,247,570
PERCENTAGE - 2011	89.2 %	6.0 %	4.8 %		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, 2012 (With Comparative Totals for 2011)

	Years Ended December 31, 2012	2011
OPERATING ACTIVITIES		
Changes in net assets	**$ 1,557,746**	$ 1,101,889
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities		
Donation of investments	**100,413**	(100,413)
(Gains) losses on investments	**(441,668)**	285,673
Losses from annuities and trusts	**19,401**	13,907
Depreciation	**174,619**	208,001
Loss on disposal of assets	**3,700**	-
Provision for uncollectible loans	**174,104**	146,131
Changes in		
Unconditional promises-to-give	**761,709**	(743,163)
Student loan receivables		
New loans awarded	**(3,125,997)**	(3,185,618)
Loans repaid	**1,935,847**	1,925,276
Interest receivable	**2,379**	3,534
Prepaid expenses	**(572)**	(48)
Accounts payable and accrued expenses	**(2,606)**	184,584
Deferred revenue and amounts held for collaborative programming	**38,164**	(42,455)
Annuities payable	**(29,218)**	(29,218)
Net cash provided (used) by operating activities	**1,168,021**	(231,920)
INVESTING ACTIVITIES		
Purchase of property and equipment	**(147,044)**	(93,441)
Purchases of investments	**(5,472,940)**	(5,558,212)
Proceeds from sale of investments	**4,355,192**	5,804,373
Net cash provided (used) by investing activities	**(1,264,792)**	152,720
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(96,771)**	(79,200)
CASH AND CASH EQUIVALENTS, Beginning	**1,375,254**	1,454,454
CASH AND CASH EQUIVALENTS, Ending	**$ 1,278,483**	$ 1,375,254

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. Nearly 10,500 students have been awarded almost $59,000,000 in interest-free loans and more than $3,800,000 in grants 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, 2011, 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, 2012 and 2011, 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 $3,080,000 at December 31, 2012 (using a discount rate of 1.76% 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 $7,000 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, equity securities, mutual funds, municipal bonds, and U.S. Government obligations. 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 was notified that it was entitled to $750,401 related to the terms of a charitable lead annuity trust. This amount was based on the date of the bequest of July 2009 through December 31, 2011 and was included in unconditional promises-to-give as of December 31, 2011. The Foundation recognized $300,000 of bequest revenue from this trust for the year ended December 31, 2012.

ScholarShop Revenues

Shop revenues are recognized when merchandise is sold and are presented net of operating expenses.

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.

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 $92,975 and $147,975 during the years ended December 31, 2012 and 2011, respectively. As of December 31, 2011, the Foundation had $100,413 of donated investments pending sale (with a fair value of $100,440). The Foundation has adopted the provisions of Accounting Standards Update No. 2012-05 *"Classification of the Sale of Proceeds of Donated Financial Assets in the Statement of Cash Flows"*.

Reclassifications

Certain reclassifications have been made to the financial statements for the year ended December 31, 2011, to conform to the presentation for the year ended December 31, 2012.

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 15, 2013, 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, 2012	December 31, 2011
Checking	$ 1,092,435	$ 1,042,866
Money Market Mutual Funds	186,048	332,388
Total cash and cash equivalents	$ 1,278,483	$ 1,375,254

NOTE 3 — STUDENT LOAN RECEIVABLES

Student loan receivables consist of the following:

	December 31, 2012	December 31, 2011
Loan Balances Not Yet in Repayment	$ 13,188,781	$ 13,089,318
Loan Balances in Repayment	10,484,296	9,536,288
Total student loan receivables	23,673,077	22,625,606
Less Allowance for Student Loan Losses	710,193	678,768
Net student loan receivables	22,962,884	21,946,838
Less Current Portion (Estimated Repayments in 2013)	1,975,000	2,025,000
Long-Term Student Loan Receivables (Estimated Repayments Beyond 2013)	$ 20,987,884	$ 19,921,838

Changes in the allowance for uncollectable loans are as follows:

	December 31, 2012	December 31, 2011
Balance, Beginning	$ 678,768	$ 644,307
Provision for uncollectable loans	174,104	146,131
Recoveries on loans	10,709	6,092
Less loans charged off	(153,388)	(117,762)
Balance, Ending	$ 710,193	$ 678,768

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: Current or Less Than 30 Days Past Due	Students in Repayment: 30-89 Days Past Due	Students in Repayment: 90 Days Past Due	Total
December 31, 2012					
Student Loans	$13,188,781	$ 7,731,378	$132,621	$ 2,620,297	$23,673,077
December 31, 2011					
Student Loans	$13,089,318	$ 6,908,554	$ 66,972	$ 2,560,762	$22,625,606

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, 2012	December 31, 2011
Student Loans		
Average or lower risk	$ 21,046,810	$ 20,180,257
Doubtful	2,626,267	2,445,349
	$ 23,673,077	$ 22,625,606

NOTE 4 — INVESTMENTS

Investments consist of the following:

	December 31, 2012	December 31, 2011
Certificates of Deposit (CDs)	$ 900,651	$ 455,030
Equity Securities	-	100,440
Mutual Funds		
Dimensional Fund Advisors (DFA) U.S. Core Equity 2	1,364,691	1,255,565
DFA One Year Fixed	-	658,497
DFA Two Year Global	-	619,211
All other mutual funds	4,643,485	2,293,376
Municipal Bonds	379,701	445,592
	7,288,528	5,827,711
Less Short-Term Investment	750,000	100,440
	$ 6,538,528	$ 5,727,271

The Foundation's investments include annuity trust funds of $177,745 and $193,714, and endowment funds of $3,198,796 and $3,085,640 as of December 31, 2012 and 2011, respectively.

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.

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, 2012				December 31, 2011
Assets					
CDs	$ -	$ 900,651	$ -	$ 900,651	$ 455,030
Equity securities	-	-	-	-	100,440
Mutual funds					
Equities	3,192,395	-	-	3,192,395	2,717,106
Fixed income	2,815,781	-	-	2,815,781	2,109,543
Municipal bonds	-	379,701	-	379,701	445,592
2012 Totals	$ 6,008,176	$ 1,280,352	$ -	$ 7,288,528	
2011 Totals	$ 4,927,089	$ 900,622	$ -		$ 5,827,711
Liability-Annuities payable					
2012	$ -	$ -	$ 177,315	$ 177,315	
2011	$ -	$ -	$ 185,318		$ 185,318

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

	December 31, 2012	December 31, 2011
Balance, Beginning	$ 185,318	$ 193,493
Revaluation of annuities payable	21,215	21,043
Payments	(29,218)	(29,218)
Balance, Ending	$ 177,315	$ 185,318

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

	Years Ended December 31, 2012	Years Ended December 31, 2011
Realized Gains (Losses) on Investments	$ (374)	$ 444,979
Unrealized Gains (Losses) on Investments	442,042	(730,652)
	$ 441,668	$ (285,673)

NOTE 6 — PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	December 31, 2012	December 31, 2011
Land	$ 423,412	$ 423,412
Land Improvements	137,452	137,452
Building and Building Improvements	4,098,660	4,107,831
Leasehold Improvements	290,636	290,636
Furniture and Fixtures	750,490	714,007
Artwork	-	3,700
	5,700,650	5,677,038
Less Accumulated Depreciation	(3,296,599)	(3,241,712)
	$ 2,404,051	$ 2,435,326

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, 2012 and 2011. 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,		
2013 - Current Portion		$ 29,218
2014	$ 29,218	
2015	29,218	
2016	29,218	
2017	29,218	
Thereafter	31,225	148,097
		$ 177,315

NOTE 8 — TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	December 31, 2012	December 31, 2011
Program Restrictions		
Deedee Becker Fund - Loan to Nursing Students	$ 429,880	$ 379,871
Annuity Trust Funds	177,745	193,714
	607,625	573,585
Time Restrictions	108,500	122,000
	$ 716,125	$ 695,585

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, 2012	Years Ended December 31, 2011
Program Restrictions	$ -	$ 1,659
Time Restrictions	88,491	40,000
Endowment Appropriations	191,686	219,304
Total restrictions released	$ 280,177	$ 260,963

NOTE 9 — PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of the following:

	December 31, 2012	December 31, 2011
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	-
Total permanently restricted net assets	$ 3,198,796	$ 3,085,640

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.

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. Actual returns in any given year may vary from this amount.

NOTE 10 — ENDOWMENT (Continued)

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 Foundation has a policy of distributing capital gains to the extent the then-current market value of the fund principal exceeds the historical dollar value of the gift less any distributions of principal allowed under the terms of the gift, unless otherwise specified by the donor. In establishing this policy, the Foundation considered the long-term expected return on its endowment.

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
December 31, 2012				
Donor Restricted Endowment Funds - Managed by the Foundation	$ -	$ -	$ 3,198,796	$ 3,198,796
December 31, 2011				
Donor Restricted Endowment Funds - Managed by the Foundation	$ -	$ -	$ 3,085,640	$ 3,085,640

Changes in endowment net assets are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
	December 31, 2012				December 31, 2011
Endowment Net Assets, Beginning of Year	$ -	$ -	$ 3,085,640	$ 3,085,640	$ 3,085,640
Contribution	-	-	113,156	113,156	-
Interest and Dividends	-	99,256	-	99,256	66,480
Investment Gain	-	92,430	-	92,430	152,824
Appropriated for Expenditure	-	(191,686)	-	(191,686)	(219,304)
	$ -	$ -	$ 3,198,796	$ 3,198,796	$ 3,085,640

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 2017.

Minimum payments on these operating leases are as follows:

Year Ending December 31,	
2013	$ 101,946
2014	108,383
2015	100,307
2016	102,343
2017	85,286
	$ 498,265

Rent expense, including common area maintenance, was $125,120 and $147,193 for the years ended December 31, 2012 and 2011, respectively, and is included in cost of shop operations.

Equipment rental expense was $14,368 and $13,860 for the years ended December 31, 2012 and 2011, 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,	
	2012	2011
Shop Sales	$ 3,326,981	$ 3,142,192
Cost of Operations		
Salaries, payroll taxes and benefits	1,000,216	987,129
Rent	125,120	147,193
Advertising	132,492	129,407
Other operating expenses	350,654	295,819
Depreciation	119,681	150,042
	1,728,163	1,709,590
	$ 1,598,818	$ 1,432,602

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 $4,559,000 and $4,383,000 for the years ending December 31, 2012 and 2011, 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 $281,026 and $288,400 for the years ending December 31, 2012 and 2011, 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 $6,773 and $8,207 to the plan for the years ended December 31, 2012 and 2011, respectively.