

**THE SCHOLARSHIP FOUNDATION OF ST. LOUIS**

**REVIEWED FINANCIAL STATEMENTS**

**Year Ended December 31, 2016  
(With Comparative Totals for 2015)**

# 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 of as of December 31, 2016, 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, 2015 and, in our report dated March 3, 2016, 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 24, 2017

**THE SCHOLARSHIP FOUNDATION OF ST. LOUIS**  
**STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS**  
**December 31, 2016 (With Comparative Totals for 2015)**

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,020,905	\$ 2,410,370
Restricted funds for Centennial Scholars Program	-	14,301
Unconditional promises-to-give	147,808	236,714
Student loan receivables - current	2,200,000	2,050,000
Investments	-	153,840
Prepaid expenses and other assets	<u>31,345</u>	<u>28,354</u>
Total current assets	<u>4,400,058</u>	<u>4,893,579</u>
LONG-TERM ASSETS		
Restricted funds for Future Forward Program	124,081	74,081
Unconditional promises-to-give	98,886	230,990
Student loan receivables	24,801,272	24,207,185
Investments	6,183,264	6,274,321
Property and equipment	<u>2,358,788</u>	<u>2,405,346</u>
Total long-term assets	<u>33,566,291</u>	<u>33,191,923</u>
Total assets	<u>\$ 37,966,349</u>	<u>\$ 38,085,502</u>
<b>LIABILITIES AND NET ASSETS</b>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 376,292	\$ 351,484
Construction payable	-	105,643
Unconditional promises-to-give for Future Forward Program	124,081	115,580
Annuities payable	<u>29,218</u>	<u>29,218</u>
Total current liabilities	529,591	601,925
ANNUITIES PAYABLE - LONG-TERM	<u>102,204</u>	<u>109,645</u>
Total liabilities	<u>631,795</u>	<u>711,570</u>
NET ASSETS		
Unrestricted		
Undesignated, available for operations	1,926,536	2,763,471
Net investment in student loans	27,001,272	26,257,185
Net investment in property and equipment	2,358,788	2,405,346
Board designated reserves	<u>800,000</u>	<u>800,000</u>
	32,086,596	32,226,002
Temporarily restricted	1,545,669	1,447,491
Permanently restricted	<u>3,702,289</u>	<u>3,700,439</u>
Total net assets	<u>37,334,554</u>	<u>37,373,932</u>
Total liabilities and net assets	<u>\$ 37,966,349</u>	<u>\$ 38,085,502</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, 2016 (With Comparative Totals for 2015)**

	Years Ended December 31,				2015 (Comparative Totals Only)
	2016			Total	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
<b>PUBLIC SUPPORT AND REVENUE</b>					
Public support					
Gifts and grants	\$ 1,109,126	\$ 35,100	\$ 1,850	\$ 1,146,076	\$ 2,324,167
Bequests	300,917	-	-	300,917	957,308
Tributes	23,760	-	-	23,760	32,900
Contributions	509,278	-	-	509,278	509,321
	<u>1,943,081</u>	<u>35,100</u>	<u>1,850</u>	<u>1,980,031</u>	<u>3,823,696</u>
Special event					
Contributions	-	-	-	-	156,298
Revenue	-	-	-	-	14,290
Direct expenses	-	-	-	-	(42,515)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>128,073</u>
Revenue					
Shop sales, net of retail and processing expenses of \$2,305,015 and \$2,317,838 for the years ended December 31, 2016 and 2015, respectively	420,458	-	-	420,458	752,295
Interest and dividends	11,165	167,013	-	178,178	216,040
Gains (losses) on investments	(53,059)	395,846	-	342,787	(265,872)
Losses from annuities and trusts	(3,125)	(18,051)	-	(21,176)	(20,612)
Other	591	-	-	591	721
	<u>376,030</u>	<u>544,808</u>	<u>-</u>	<u>920,838</u>	<u>682,572</u>
Net assets released from restrictions	<u>481,730</u>	<u>(481,730)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total public support and revenue	<u>2,800,841</u>	<u>98,178</u>	<u>1,850</u>	<u>2,900,869</u>	<u>4,634,341</u>
<b>EXPENSES</b>					
Program services, excluding student loans awarded of \$3,180,856 and \$3,744,933 for the years ended December 31, 2016 and 2015, respectively	2,381,741	-	-	2,381,741	2,752,998
Supporting services					
Management and general	243,033	-	-	243,033	342,297
Fund raising	315,473	-	-	315,473	351,524
Total expenses	<u>2,940,247</u>	<u>-</u>	<u>-</u>	<u>2,940,247</u>	<u>3,446,819</u>
<b>CHANGES IN NET ASSETS</b>	<u>(139,406)</u>	<u>98,178</u>	<u>1,850</u>	<u>(39,378)</u>	<u>1,187,522</u>
NET ASSETS, Beginning	<u>32,226,002</u>	<u>1,447,491</u>	<u>3,700,439</u>	<u>37,373,932</u>	<u>36,186,410</u>
NET ASSETS, Ending	<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>

**THE SCHOLARSHIP FOUNDATION OF ST. LOUIS**  
**STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS**  
**Year Ended December 31, 2016 (With Comparative Totals for 2015)**

	Years Ended December 31,				(Comparative Totals Only)
	2016			2015	
	Program Services	Supporting Services		Total	
Management and General		Fund Raising			
Salaries and Wages	\$ 651,979	\$ 116,705	\$ 170,275	\$ 938,959	\$ 979,175
Payroll Taxes and Employee Benefits	<u>107,706</u>	<u>19,280</u>	<u>28,121</u>	<u>155,107</u>	<u>166,555</u>
	<u>759,685</u>	<u>135,985</u>	<u>198,396</u>	<u>1,094,066</u>	1,145,730
Collection Costs	12,526	-	-	12,526	10,375
Community Programs	196,407	-	-	196,407	156,735
Depreciation	51,364	9,194	13,411	73,969	73,657
Information Technology	27,479	10,777	4,196	42,452	80,379
Insurance	12,996	2,327	3,393	18,716	15,146
Meetings	19,359	676	5,868	25,903	16,843
Miscellaneous and Equipment Rental	26,660	9,006	3,479	39,145	64,900
Occupancy	15,052	2,694	3,930	21,676	23,358
Office Expenses	18,926	3,388	4,942	27,256	24,687
Printing	5,272	4,278	13,082	22,632	18,334
Professional Fees	35,693	55,179	54,354	145,226	168,885
Provision for Uncollectible Loans	218,882	-	-	218,882	486,407
Repair and Maintenance	10,879	1,948	2,841	15,668	24,381
Service Charges	15,161	7,581	7,581	30,323	17,452
Grants Awarded	<u>955,400</u>	<u>-</u>	<u>-</u>	<u>955,400</u>	<u>1,119,550</u>
TOTAL EXPENSES	<u>2,381,741</u>	<u>243,033</u>	<u>315,473</u>	<u>2,940,247</u>	3,446,819
Student Loans Awarded	<u>3,180,856</u>	<u>-</u>	<u>-</u>	<u>3,180,856</u>	<u>3,744,933</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> %	
TOTAL EXPENSES AND LOANS AWARDED - 2015	<u>\$ 6,497,931</u>	<u>\$ 342,297</u>	<u>\$ 351,524</u>		<u>\$ 7,191,752</u>
PERCENTAGE - 2015	<u>90.3</u> %	<u>4.8</u> %	<u>4.9</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, 2016 (With Comparative Totals for 2015)**

	<b>Years Ended December 31,</b>	
	<b>2016</b>	<b>2015</b>
<b>OPERATING ACTIVITIES</b>		
Changes in net assets	\$ (39,378)	\$ 1,187,522
Adjustments to reconcile changes in net assets to net cash used by operating activities		
Donation of investments	-	(153,840)
(Gains) losses on investments	(342,787)	265,872
Losses on restricted funds	-	419
Losses from annuities and trusts	21,176	20,612
Depreciation	308,101	233,721
Provision for uncollectible loans	218,882	486,407
Permanently restricted contributions for endowment	(1,850)	(122,040)
Temporarily restricted contributions for vehicle purchase	-	(106,031)
Changes in		
Restricted funds for Centennial Scholars Program	14,301	16,100
Unconditional promises-to-give	221,010	(230,881)
Student loan receivables		
New loans awarded	(3,180,856)	(3,744,933)
Loans repaid	2,217,887	2,190,081
Prepaid expenses and other assets	(2,991)	(10,299)
Accounts payable and accrued expenses	24,808	(126,225)
Unconditional promises-to-give for Future Forward Program	8,501	54,080
Annuities payable	(28,617)	(27,732)
Net cash used by operating activities	<u>(561,813)</u>	<u>(67,167)</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(367,186)	(357,062)
Purchases of investments	(440,393)	(2,662,942)
Proceeds from sale of investments	1,028,077	3,829,750
Restricted funds for Future Forward Program	(50,000)	(53,000)
Net cash provided by investing activities	<u>170,498</u>	<u>756,746</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from contributions restricted for endowment	1,850	122,040
Proceeds from contributions restricted for vehicle purchase	-	106,031
Net cash provided by financing activities	<u>1,850</u>	<u>228,071</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(389,465)</b>	<b>917,650</b>
<b>CASH AND CASH EQUIVALENTS, Beginning</b>	<b><u>2,410,370</u></b>	<b><u>1,492,720</u></b>
<b>CASH AND CASH EQUIVALENTS, Ending</b>	<b><u>\$ 2,020,905</u></b>	<b><u>\$ 2,410,370</u></b>
<b>NONCASH OPERATING AND INVESTING ACTIVITIES</b>		
Increase (decrease) in construction payable	<u>\$ (105,643)</u>	<u>\$ 105,643</u>

*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, 2016 (With Comparative Totals for 2015)**

**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 11,200 students have been awarded more than \$72,300,000 in interest-free loans and more than \$7,300,000 in grants and paid internships since the Foundation was established. One in six donors is a former Foundation recipient.

The Foundation operates ScholarShop, an upscale resale shop with locations in Clayton and Webster Groves, Missouri. ScholarShop was established for the 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.

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 are expected to close in 2017 (Note 15).

**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, 2015, 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 SCHOLARSHIP FOUNDATION OF ST. LOUIS**  
**NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS**  
**December 31, 2016 (With Comparative Totals for 2015)**

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Financial Statement Presentation (Continued)**

The following transactions are recorded on the modified cash basis:

- 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 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 statement 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 (frozen at the prior year amount): represents resources that the governing board has designated unrestricted net assets to be reserved for:
  - a) operating expenses (two months of expenses),
  - b) program commitments to renewing students (one award cycle), and
  - c) repair, maintenance and capital expenditures (two months of estimated expenses and cost).

**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.

**THE SCHOLARSHIP FOUNDATION OF ST. LOUIS**  
**NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS**  
**December 31, 2016 (With Comparative Totals for 2015)**

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Restricted Funds**

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

**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, 2016 and 2015, 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 \$2,258,713 is approximately \$2,040,000 at December 31, 2016 (using a discount rate of 2.45% 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 \$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 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.

**THE SCHOLARSHIP FOUNDATION OF ST. LOUIS**  
**NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS**  
**December 31, 2016 (With Comparative Totals for 2015)**

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Investments**

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

**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, 2016 (With Comparative Totals for 2015)**

**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:

	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 - Miki's Closet	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.

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.

**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.

**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 SCHOLARSHIP FOUNDATION OF ST. LOUIS**  
**NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS**  
**December 31, 2016 (With Comparative Totals for 2015)**

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Annuity Trusts, Gift Annuities, and Beneficial Interests in Trusts (Continued)**

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

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

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

As disclosed in Note 1 (conditional promises-to-give), the Foundation recognized \$300,000 of public support bequest revenue from a charitable lead annuity trust for each of the years ended December 31, 2016 and 2015.

**ScholarShop Revenues**

Shop revenues are recognized when merchandise is 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 is charged to operations when incurred.

**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**  
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**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.

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

**Cash Flows Reporting**

The Foundation has a policy to immediately sell donated securities from donors and utilize those resources for unrestricted activities unless restricted by the donor for long-term purposes. The Foundation recognized donated securities of \$260,898 and \$121,453 during the years ended December 31, 2016 and 2015, respectively. As of December 31, 2015, the Foundation recognized donated securities of \$153,840 that were not liquidated until January 2016.

**Reclassifications**

Certain reclassifications have been made to the financial statements for the year ended December 31, 2015 to conform to the presentation for the year ended December 31, 2016.

**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 24, 2017, 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,	
	2016	2015
Checking	\$ 1,850,092	\$ 2,336,699
Money Market Mutual Funds	<u>170,813</u>	<u>73,671</u>
Total cash and cash equivalents	<u>\$ 2,020,905</u>	<u>\$ 2,410,370</u>

**THE SCHOLARSHIP FOUNDATION OF ST. LOUIS**  
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**NOTE 3 — RESTRICTED FUNDS**

Restricted funds consist of the following:

	December 31,	
	2016	2015
Centennial Scholars Program (current) (a)	\$ -	\$ 14,301
Future Forward Program (long-term) (b)	124,081	74,081
BJC Scholars Fund Program (long-term) (c)	-	-
Total restricted funds	<u>\$ 124,081</u>	<u>\$ 88,382</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, 2016 and 2015, the Foundation granted awards of \$306,200 and \$274,800, respectively, for this program.
- (b) The Future Forward Program (a 529 College Saving Plan), was launched during 2014 to establish college saving accounts for two local middle schools and a youth agency. As of December 31, 2016, the Foundation committed a total of \$124,000 (representing initial account funding of \$500 per eighth-grade student) and funded \$124,000 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 6) and had unrealized losses of \$-0- and \$419 for the years ended December 31, 2016 and 2015, 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. 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, participation in paid internship programs and additional funding opportunities.



**THE SCHOLARSHIP FOUNDATION OF ST. LOUIS**  
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**NOTE 4 — STUDENT LOAN RECEIVABLES**

Student loan receivables consist of the following:

	December 31,	
	2016	2015
Loan Balances Not Yet in Repayment	\$ 13,773,300	\$ 13,956,742
Loan Balances in Repayment	<u>14,353,025</u>	<u>13,394,492</u>
Total student loan receivables	28,126,325	27,351,234
Less Allowance for Student Loan Losses	<u>1,125,053</u>	<u>1,094,049</u>
Net student loan receivables	27,001,272	26,257,185
Less Current Portion (Estimated Repayments in 2017)	<u>2,200,000</u>	<u>2,050,000</u>
Long-Term Student Loan Receivables (Estimated Repayments Beyond 2017)	<u>\$ 24,801,272</u>	<u>\$ 24,207,185</u>

Changes in the allowance for uncollectible loans are as follows:

	As of and for the Years Ended December 31,	
	2016	2015
Balance, Beginning	\$ 1,094,049	\$ 779,033
Provision for uncollectible loans	218,882	486,407
Recoveries on loans	29,874	19,277
Less loans charged off	<u>(217,752)</u>	<u>(190,668)</u>
Balance, Ending	<u>\$ 1,125,053</u>	<u>\$ 1,094,049</u>

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	
<b>December 31, 2016</b>					
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>
<b>December 31, 2015</b>					
Student Loans	<u>\$13,956,742</u>	<u>\$ 9,582,383</u>	<u>\$137,895</u>	<u>\$ 3,674,214</u>	<u>\$27,351,234</u>

(\*) Including grace period.

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**NOTE 4 — STUDENT LOAN RECEIVABLES (Continued)**

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,	
	2016	2015
Student Loans		
Average or lower risk	\$ 24,641,332	\$ 24,076,558
Doubtful	<u>3,484,993</u>	<u>3,274,676</u>
	<u>\$ 28,126,325</u>	<u>\$ 27,351,234</u>

**NOTE 5 — INVESTMENTS**

Investments consist of the following:

	December 31,	
	2016	2015
Mutual Funds		
Dimensional Fund Advisors (DFA) U.S. Core Equity 2	\$ 1,592,388	\$ 1,475,243
DFA Five Year Global Fixed	666,153	750,644
Vanguard GNMA Fund	668,105	767,747
Vanguard Short-Term Investment Grade	887,428	1,000,361
All other mutual funds	<u>1,963,265</u>	<u>1,864,968</u>
	5,777,339	5,858,963
Municipal Bonds	405,925	415,358
Common Stocks	<u>-</u>	<u>153,840</u>
	6,183,264	6,428,161
Less Short-Term Investments	<u>-</u>	<u>153,840</u>
	<u>\$ 6,183,264</u>	<u>\$ 6,274,321</u>

**THE SCHOLARSHIP FOUNDATION OF ST. LOUIS**  
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**NOTE 6 — 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, 2016 and 2015.

*Common stocks:* Valued at the closing price reported on the active market on which the individual securities are traded.

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

*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 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, 2015
	December 31, 2016				
<i>Assets-Investments</i>					
Common stocks	\$ -	\$ -	\$ -	\$ -	\$ 153,840
<i>Mutual funds</i>					
Equities	3,555,653	-	-	3,555,653	3,340,211
Fixed income	2,221,686	-	-	2,221,686	2,518,752
Municipal bonds	-	405,925	-	405,925	415,358
2016 Totals	<u>\$ 5,777,339</u>	<u>\$ 405,925</u>	<u>\$ -</u>	<u>\$ 6,183,264</u>	
2015 Totals	<u>\$ 6,012,803</u>	<u>\$ 415,358</u>	<u>\$ -</u>		<u>\$ 6,428,161</u>
<i>Assets-Restricted Funds</i>					
2016	<u>\$ 124,081</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 124,081</u>	
2015	<u>\$ 74,081</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ 74,081</u>
<i>Liability-Annuities Payable</i>					
2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 131,422</u>	<u>\$ 131,422</u>	
2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 138,863</u>		<u>\$ 138,863</u>

**THE SCHOLARSHIP FOUNDATION OF ST. LOUIS**  
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**NOTE 6 — FAIR VALUE MEASUREMENTS (Continued)**

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,	
	<u>2016</u>	<u>2015</u>
Balance, Beginning	\$ 138,863	\$ 145,983
Revaluation of annuities payable	21,777	22,098
Payments	<u>(29,218)</u>	<u>(29,218)</u>
Balance, Ending	<u>\$ 131,422</u>	<u>\$ 138,863</u>

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

	Years Ended December 31,	
	<u>2016</u>	<u>2015</u>
Realized Gains on Investments	\$ 35,176	\$ 81,470
Unrealized Gains (Losses) on Investments	<u>307,611</u>	<u>(347,342)</u>
	<u>\$ 342,787</u>	<u>\$ (265,872)</u>

Professional fees include investment advisory fees of \$26,637 and \$28,645 for the years ended December 31, 2016 and 2015, respectively.

**NOTE 7 — PROPERTY AND EQUIPMENT**

Property and equipment consists of the following:

	December 31,	
	<u>2016</u>	<u>2015</u>
Land	\$ 423,412	\$ 423,412
Land Improvements	137,452	137,452
Building and Building Improvements	4,399,114	4,214,006
Leasehold Improvements	506,362	506,362
Equipment	311,949	311,949
Furniture and Fixtures	478,105	296,026
Vehicle - Miki's Closet (restricted use asset)	106,031	106,031
Construction in Progress	-	<u>105,643</u>
	6,362,425	6,100,881
Less Accumulated Depreciation	<u>(4,003,637)</u>	<u>(3,695,535)</u>
	<u>\$ 2,358,788</u>	<u>\$ 2,405,346</u>

Refer to Note 15 for subsequent event.

**THE SCHOLARSHIP FOUNDATION OF ST. LOUIS**  
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**NOTE 8 — 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, 2016 and 2015. 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,		
2017 - Current Portion		\$ 29,218
2018	\$ 29,218	
2019	29,218	
2020	29,218	
2021	<u>14,550</u>	<u>102,204</u>
		<u>\$ 131,422</u>

**NOTE 9 — TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes:

	December 31,	
	2016	2015
Program Restrictions		
Deedee Becker Fund - loan to nursing students	\$ 636,214	\$ 549,091
Annuity trust funds	124,874	142,925
Miki's Closet - restricted asset and contributions (a)	<u>101,637</u>	<u>132,638</u>
	862,725	824,654
Endowment Funds - Income Restricted as to Time	459,154	152,561
Time Restrictions	<u>223,790</u>	<u>470,276</u>
	<u>\$ 1,545,669</u>	<u>\$ 1,447,491</u>

(a) Refer to Note 15 for subsequent event.

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, 2016:

Program Restrictions	\$ 38,685
Time Restrictions	276,484
Endowment Appropriations	<u>166,561</u>
Total restrictions released	<u>\$ 481,730</u>

**THE SCHOLARSHIP FOUNDATION OF ST. LOUIS**  
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**NOTE 10 — PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets consist of the following:

	December 31,	
	2016	2015
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	284,173	282,323
The Joanne M. Clevinger Scholarship Fund	219,320	219,320
Total permanently restricted net assets	\$ 3,702,289	\$ 3,700,439

**NOTE 11 — ENDOWMENT**

The Foundation's endowment consists of various funds established for program purposes (Note 10). 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. In the current year, 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.

**THE SCHOLARSHIP FOUNDATION OF ST. LOUIS**  
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**NOTE 11 — ENDOWMENT (Continued)**

**Interpretation of Relevant Law (Continued)**

In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds.

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

**Return Objectives and Risk Parameters**

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

**Strategies Employed for Achieving Objectives**

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

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

The spending policy calculates the amount of money annually distributed from the Foundation's various endowed funds, for grant making and administration. 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.

**THE SCHOLARSHIP FOUNDATION OF ST. LOUIS**  
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**NOTE 11 — ENDOWMENT (Continued)**

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				
<b>December 31, 2016</b>	<u>\$ -</u>	<u>\$ 459,154</u>	<u>\$ 3,702,289</u>	<u>\$ 4,161,443</u>
<b>December 31, 2015</b>	<u>\$ -</u>	<u>\$ 152,561</u>	<u>\$ 3,700,439</u>	<u>\$ 3,853,000</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, 2016				December 31, 2015
Endowment Net Assets					
Beginning of year	\$ -	\$ 152,561	\$ 3,700,439	\$ 3,853,000	\$ 3,978,917
Gifts	-	-	1,850	1,850	122,040
Interest and dividends	-	167,013	-	167,013	176,977
Gains (losses) on investments	-	306,141	-	306,141	(261,160)
Appropriated for expenditure	-	(166,561)	-	(166,561)	(163,774)
End of year	<u>\$ -</u>	<u>\$ 459,154</u>	<u>\$ 3,702,289</u>	<u>\$ 4,161,443</u>	<u>\$ 3,853,000</u>

**NOTE 12 — OPERATING LEASES**

The Foundation leases certain equipment, shop space, and a processing center for a ScholarShop location under operating leases which expire at various dates through 2022.

Minimum payments on these operating leases are as follows:

<u>Year Ending December 31,</u>	
2017	\$ 167,606
2018	87,417
2019	75,799
2020	80,332
2021	83,832
Thereafter	<u>45,275</u>
	<u>\$ 540,261</u>



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**NOTE 12 — OPERATING LEASES (Continued)**

Rent expense, including common area maintenance, was \$229,093 and \$191,608 for the years ended December 31, 2016 and 2015, respectively, and is included in cost of shop operations.

Equipment rental expense was \$21,674 and \$22,520 for the years ended December 31, 2016 and 2015, respectively, and is included in administrative expenses.

**NOTE 13 — SHOP SALES**

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

	<u>Years Ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Shop Sales	<u>\$ 2,725,473</u>	<u>\$ 3,070,133</u>
Retail and Processing Expenses		
Salaries, payroll taxes and benefits	1,452,963	1,440,190
Rent	229,093	191,608
Advertising	79,435	133,395
Other operating expenses	309,392	392,581
Depreciation	<u>234,132</u>	<u>160,064</u>
	<u>2,305,015</u>	<u>2,317,838</u>
	<u>\$ 420,458</u>	<u>\$ 752,295</u>

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 \$4,389,000 and \$4,507,000 for the years ending December 31, 2016 and 2015, 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 \$230,000 and \$235,000 for the years ending December 31, 2016 and 2015, respectively.

**NOTE 14 — 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 \$10,861 and \$9,957 to the plan for the years ended December 31, 2016 and 2015, respectively.

**THE SCHOLARSHIP FOUNDATION OF ST. LOUIS**  
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**NOTE 15 — SUBSEQUENT EVENT**

As disclosed in Note 1, the Foundation's Board of Directors voted to begin the process to close the ScholarShop stores. Subsequent to year end, management adopted and implemented a plan to discontinue the operations of the ScholarShop stores in 2017. This plan includes ceasing shop operations, preparing certain assets for sale, negotiating certain contracts and leases, and reduction in certain workforce. Additionally, management is evaluating the possible relocation of its non-shop operating facilities. Management is unable to determine or estimate the financial impact of the discontinued operations at this time.