

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS

REVIEWED FINANCIAL STATEMENTS

**Year Ended December 31, 2021
(With Comparative Totals for 2020)**

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 financial position as of December 31, 2021, and the related statements of activities and cash flows 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 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 accounting principles generally accepted in the United States of America (GAAP); this includes 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 GAAP. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of The Scholarship Foundation of St. Louis and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

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 accounting principles generally accepted in the United States of America.

Basis of Accounting and Report on Summarized Comparative Information

We previously reviewed the Foundation's 2020 financial statements and, in our conclusion, dated March 3, 2021, stated that based on our review, we were not aware of any material modifications that should be made to the 2020 financial statements in order for them to be in accordance with GAAP. We are not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended December 31, 2020, for it to be consistent with the reviewed financial statements from which it has been derived.

The logo for UHY LLP, featuring the letters 'UHY' in a large, stylized, handwritten-style font, with 'LLP' in a smaller, clean sans-serif font to the right.

St. Louis, Missouri
March 3, 2022

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS
STATEMENT OF FINANCIAL POSITION
December 31, 2021 (With Comparative Totals for 2020)

	December 31,	
	2021	2020
ASSETS		
CURRENT ASSETS		
Cash	\$ 2,113,585	\$ 1,962,234
Unconditional promises-to-give	56,731	83,702
Student loan receivables	2,040,000	1,900,000
Investments	869,014	2,216,057
Prepaid expenses and other assets	45,358	46,651
Total current assets	<u>5,124,688</u>	<u>6,208,644</u>
LONG-TERM ASSETS		
Restricted funds for Future Forward Program	125,667	139,832
Unconditional promises-to-give	79,094	99,356
Student loan receivables	24,289,015	26,016,656
Investments	19,268,464	14,031,062
Property and equipment	138,793	146,368
Total long-term assets	<u>43,901,033</u>	<u>40,433,274</u>
Total assets	<u>\$ 49,025,721</u>	<u>\$ 46,641,918</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 102,256	\$ 118,666
Unconditional promises-to-give for Future Forward Program	125,667	139,832
Deferred revenue	504,815	669,948
Note payable - PPP loan	-	194,500
Total current liabilities	<u>732,738</u>	<u>1,122,946</u>
LONG-TERM LIABILITIES		
Deferred revenue	<u>895,200</u>	<u>495,000</u>
Total liabilities	<u>1,627,938</u>	<u>1,617,946</u>
NET ASSETS		
Without donor restrictions		
Undesignated	5,920,620	4,622,357
Board designated program reserves	2,742,063	2,921,620
Board designated emergency reserves	408,000	238,000
Net investment in student loans	<u>25,616,333</u>	<u>27,228,205</u>
	<u>34,687,016</u>	<u>35,010,182</u>
With donor restrictions		
Total net assets	<u>12,710,767</u>	<u>10,013,790</u>
Total liabilities and net assets	<u>\$ 49,025,721</u>	<u>\$ 46,641,918</u>

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

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS
STATEMENT OF ACTIVITIES
Year Ended December 31, 2021 (With Comparative Totals for 2020)

	Years Ended December 31,			2020 (Comparative Totals Only)
	Without Donor Restrictions	2021 With Donor Restrictions	Total	
PUBLIC SUPPORT AND REVENUE				
Public support				
Gifts and grants	\$ 2,094,198	\$ 4,794,094	\$ 6,888,292	\$ 5,433,269
Contributions	-	-	-	701,944
	<u>2,094,198</u>	<u>4,794,094</u>	<u>6,888,292</u>	<u>6,135,213</u>
Revenue				
Net investment return				
Interest and dividends	192,829	108,895	301,724	209,330
Gains on investments and restricted funds	592,477	693,401	1,285,878	929,535
Investment advisory fees	(25,566)	(12,526)	(38,092)	(32,790)
	<u>759,740</u>	<u>789,770</u>	<u>1,549,510</u>	<u>1,106,075</u>
Interest income not charged on student loans	1,353,731	-	1,353,731	1,490,395
Collection fees and other	58,253	8,199	66,452	117,497
PPP loan forgiveness income	194,500	-	194,500	-
	<u>2,366,224</u>	<u>797,969</u>	<u>3,164,193</u>	<u>2,713,967</u>
Net assets released from restrictions	2,895,086	(2,895,086)	-	-
Total public support and revenue	<u>7,355,508</u>	<u>2,696,977</u>	<u>10,052,485</u>	<u>8,849,180</u>
EXPENSES				
Program services	6,986,534	-	6,986,534	6,630,088
Supporting services				
Management and general	237,364	-	237,364	184,603
Fundraising	454,776	-	454,776	487,978
Total expenses	<u>7,678,674</u>	<u>-</u>	<u>7,678,674</u>	<u>7,302,669</u>
CHANGES IN NET ASSETS	(323,166)	2,696,977	2,373,811	1,546,511
NET ASSETS, Beginning	<u>35,010,182</u>	<u>10,013,790</u>	<u>45,023,972</u>	<u>43,477,461</u>
NET ASSETS, Ending	<u>\$ 34,687,016</u>	<u>\$ 12,710,767</u>	<u>\$ 47,397,783</u>	<u>\$ 45,023,972</u>

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

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS
STATEMENT OF CASH FLOWS
Year Ended December 31, 2021 (With Comparative Totals for 2020)

	<u>Years Ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
OPERATING ACTIVITIES		
Changes in net assets	\$ 2,373,811	\$ 1,546,511
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
(Gain) on sale of property and equipment	(14)	-
(Gains) on investments and restricted funds	(1,285,878)	(929,535)
Depreciation	22,592	18,823
Provision for uncollectible loans	1,442,967	1,317,981
Permanently restricted gifts for endowment	(314,835)	(168,600)
PPP loan forgiveness income	(194,500)	-
Changes in		
Unconditional promises-to-give	47,233	160,123
Student loan receivables		
New loans awarded	(1,931,185)	(2,262,887)
Loans repaid	2,075,859	1,686,999
Prepaid expenses and other assets	1,293	16,621
Accounts payable and accrued expenses	(16,410)	(195,201)
Unconditional promises-to-give for Future Forward Program	(14,165)	(18,277)
Deferred revenue	235,067	814,846
Net cash provided by operating activities	<u>2,441,835</u>	<u>1,987,404</u>
INVESTING ACTIVITIES		
Proceeds from sale of investments	18,530,150	4,622,400
Purchases of investments	(21,137,078)	(6,845,829)
Purchases of property and equipment	(16,203)	(65,727)
Proceeds from sale of property and equipment	1,200	-
Restricted funds for Future Forward Program	16,612	20,724
Net cash (used) by investing activities	<u>(2,605,319)</u>	<u>(2,268,432)</u>
FINANCING ACTIVITIES		
Proceeds from note payable - PPP loan	-	194,500
Proceeds from gifts restricted for endowment	314,835	168,600
Net cash provided by financing activities	<u>314,835</u>	<u>363,100</u>
NET INCREASE IN CASH	151,351	82,072
CASH, Beginning	<u>1,962,234</u>	<u>1,880,162</u>
CASH, Ending	<u>\$ 2,113,585</u>	<u>\$ 1,962,234</u>

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

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 (With Comparative Totals for 2020)

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 accounting principles generally accepted in the United States of America (GAAP).

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 13,250 students have been awarded more than \$85,900,000 in interest-free loans and more than \$17,125,000 in grants and paid internships since the Foundation was established. One in seven donors is a former Foundation student.

Basis of Accounting and Comparative Totals

The Foundation prepares its financial statements on the accrual method of accounting.

The financial statements include certain prior year summarized comparative information in total but not by net asset categories. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2020, from which the summarized information was derived.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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's resources are classified for accounting and reporting purposes into two asset categories according to externally (donor) imposed restrictions. A description of the two net asset categories is as follows:

Net Assets Without Donor Restrictions - Includes resources available for support of program services and operations, which have no donor-imposed restrictions (unrestricted). All contributions are considered to be available for unrestricted use and available unless specifically restricted by the donor.

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 (With Comparative Totals for 2020)

NOTE 1 — Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation (Continued)

Net Assets Without Donor Restrictions (Continued)

The Foundation's net assets without donor restrictions are presented in the accompanying statement of financial position as follows:

- Undesignated: represents resources available for current program services and operations
- Board designated program reserves: represents resources set aside for specific program needs (primarily loans and grants) as determined by the governing board
- Board designated emergency reserves: represents resources that the governing board has designated unrestricted net assets to be reserved for:
 - a) operating expenses,
 - b) program commitments to renewing students with certain offsets, and
 - c) repair, maintenance and capital expenditures.
- Investment in student loans: represents outstanding student loan receivables

Net Assets With Donor Restrictions - Represents those net assets whose use has been limited by donor-imposed stipulations. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity and the income from such resources can be spent for program related expenses. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash

Cash includes checking and depository accounts.

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

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, 2021 and 2020, management considers contributions receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 (With Comparative Totals for 2020)

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 made 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 \$758,169 is approximately \$750,000 at December 31, 2021 (using a discount rate of .97% based on a 3 year U.S. Treasury note).

The Foundation has various conditional grant agreements with commitments for future funding. Since these grant agreements are conditional commitments with significant barriers, the future funding commitments are not reflected in the accompanying financial statements.

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. No interest is charged or accrued on loans while a student is actively enrolled in school or during the scheduled or approved repayment period.

Historically, repayment of loans was scheduled over a period of 5 years. However, during the years ended December 31, 2021 and 2020, the Foundation modified its repayment policy in order to achieve more equitable outcomes for its borrowers. Under the new policy, each borrowers' monthly repayment amount is determined by their anticipated earnings 2 years post-graduation and 15% of their estimated discretionary income. Then, the total loan amount is divided by the monthly repayment amount to determine the number of months needed to repay.

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 6% of gross student loans outstanding. Past due or default status is based on contractual terms as stated in the signed promissory note.

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

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 (With Comparative Totals for 2020)

NOTE 1 — Summary of Significant Accounting Policies (Continued)

Investments

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

Net investment return is reported in the statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses.

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:

Level 1: Financial instruments are valued 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.

Level 3: Financial instruments are valued 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 to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. There were no such losses for the years ended December 31, 2021 and 2020.

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 (With Comparative Totals for 2020)

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Funds for Future Forward Program

Restricted funds represent investments that are restricted for the Future Forward Program.

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. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Cost of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed, currently.

The Foundation reviews the carrying value of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There was no impairment for the years ended December 31, 2021 and 2020.

Depreciation of property and equipment is provided according to the following:

	<u>Method</u>	<u>Years</u>
Leasehold Improvements	Straight-line	Term of Lease
Equipment	Straight-line	5 - 7
Furniture and Fixtures	Straight-line	5 - 7

Gifts and Grants

All contributions/gifts 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 activities as net assets released from restrictions. Donor restricted contributions are recorded in the temporarily restricted class for restrictions expiring during the fiscal year, and then transferred to the unrestricted class. The Foundation reports certain restricted contributions as unrestricted when the restriction is fulfilled in the same time period in which the contribution is received.

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

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 (With Comparative Totals for 2020)

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Deferred Revenue

Deferred revenue represents cash received from non-exchange grants and contracts that include conditions (specific measurement requirements) and have refundable provisions prior to performance by the Foundation.

Annuity Trusts, Gift Annuities, and Beneficial Interests in Trusts

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, 2021 and 2020.

Grants and Student Loans Awarded

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

The Foundation provides interest-free loans to qualified students for post-secondary education. The outstanding loans are presented on the Statement of Financial Position as student loan receivables.

Noncash Interest Income and Grant Expense

The Foundation records imputed interest income on student loans. To determine a comparable rate, the Foundation used a 12-year average rate consistent with the Federal Student Aid Direct Subsidized Loan rate, plus the Disbursement Fee rate for new loan disbursements. The 12-year average rate was 4.6% (4.9% at December 31, 2020) and the loan disbursement rate was 1.1% at December 31, 2021 and 2020. As a result, noncash interest income and grant - forgone interest not charged on student loans of \$1,353,731 and \$1,490,305 was recognized for the years ended December 31, 2021 and 2020, respectively, in the statement of activities.

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 is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS.

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 (With Comparative Totals for 2020)

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

For income tax reporting, the Foundation reports on the modified cash basis, which includes reporting student loans as “interest-free” and “fee-free” grant expense and student loan repayments as program revenue. For financial reporting, the Foundation reports these student loan transactions as components of the asset “student loans.” In addition, the noncash transactions for interest income on student loans and grants - forgone interest are recorded for financial statement purposes but not for income tax purposes. As a result, there are significant differences in reporting these items.

Financial Instruments and Credit Risk

The Foundation manages deposit concentration risk by placing cash, and money market accounts, with financial institutions believed by the Foundation to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Foundation has not experienced losses in any of these accounts. Credit risk associated with student loan receivables and promises-to-give is considered to be limited due to high historical collection rates. Investments are made by diversified investment managers whose performance is monitored by the Foundation and the Finance Committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Foundation and the Finance Committee believe that the investment policies and guidelines are prudent for the long-term welfare of the Foundation.

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, including time estimates for personnel to allocate compensation, payroll taxes and employee benefits.

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 \$226,606 and \$657,372 during the years ended December 31, 2021 and 2020, respectively.

Subsequent Events

The Foundation has performed a review of events subsequent to the statement of financial position date through March 3, 2022, the date the financial statements were available to be issued.

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 (With Comparative Totals for 2020)

NOTE 2 — LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	December 31,	
	2021	2020
Cash	\$ 2,113,585	\$ 1,962,234
Unconditional Promises-to-Give	56,731	83,702
Student Loans Receivable	2,040,000	1,900,000
Investments	869,014	2,216,057
Endowment Spending-Rate Distributions and Appropriations	<u>186,015</u>	<u>179,030</u>
	5,265,347	6,341,023
Less Board Designated Funds	<u>895,700</u>	<u>1,029,004</u>
	<u>\$ 4,369,647</u>	<u>\$ 5,312,019</u>

The Foundation's endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

As part of the Foundation's liquidity management plan, cash in excess of daily requirements is invested in short-term investments, and money market funds. Occasionally, the Board designates a portion of any operating surplus to its program and emergency reserves.

NOTE 3 — RESTRICTED FUNDS FOR FUTURE FORWARD PROGRAM

Restricted funds consist of the \$125,667 and \$139,832 as of December 31, 2021 and 2020, respectively.

The Future Forward Program (a 529 College Saving Plan) was launched during 2014 to establish college saving accounts for students attending two local middle schools and a youth agency. As of December 31, 2021, the Foundation has funded a total of \$181,200 to open the student saving accounts with MOST - Missouri's 529 College Saving Plan. These funds include cumulative investments gains of \$35,603 and are net of cumulative disbursements to qualified students of \$91,136 as of December 31, 2021. 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 an unrealized loss of \$59 and an unrealized gain of \$2,446 for the years ended December 31, 2021 and 2020, respectively.

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 (With Comparative Totals for 2020)

NOTE 4 — STUDENT LOAN RECEIVABLES

Student loan receivables consist of the following:

	December 31,	
	2021	2020
Students in School - Amounts Not Due (*)	<u>\$ 10,625,338</u>	<u>\$ 11,594,540</u>
Students in Repayment		
Current or less than 30 days past due	12,478,739	13,140,431
30 - 89 days past due	91,050	183,892
90 days past due	242,007	1,088,952
In collections	<u>4,572,456</u>	<u>3,690,756</u>
	<u>17,384,252</u>	<u>18,104,031</u>
Total student loan receivables	28,009,590	29,698,571
Less Allowance for Student Loan Losses	<u>1,680,575</u>	<u>1,781,915</u>
Net student loan receivables	26,329,015	27,916,656
Less Current Portion (Estimated Repayments in 2022 and 2021)	<u>2,040,000</u>	<u>1,900,000</u>
Long-Term Student Loan Receivables (Estimated Repayments Beyond 2022 and 2021)	<u>\$ 24,289,015</u>	<u>\$ 26,016,656</u>

(*) Including grace period.

Changes in the allowance for student loan losses are as follows:

	As of and for the Years Ended December 31,	
	2021	2020
Balance, Beginning	\$ 1,781,915	\$ 1,194,116
Provision for uncollectible loans	1,422,967	1,317,981
Recoveries on loans	8,894	61,243
Less loans charged off	<u>(1,533,201)</u>	<u>(791,425)</u>
Balance, Ending	<u>\$ 1,680,575</u>	<u>\$ 1,781,915</u>

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS
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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. The loan balance in collections is rated as doubtful, although some accounts in this category may exhibit a strong repayment track record. The Foundation continues to monitor accounts in collections for improvement or further deterioration.

	December 31,	
	2021	2020
Student Loans		
Average or lower risk	\$ 23,437,134	\$ 26,007,815
Doubtful (in collection)	<u>4,572,456</u>	<u>3,690,756</u>
	<u>\$ 28,009,590</u>	<u>\$ 29,698,571</u>

NOTE 5 — INVESTMENTS

Investments consist of the following:

	December 31,	
	2021	2020
Mutual Funds		
Dimensional Fund Advisors (DFA) U.S. Core Equity 2	\$ -	\$ 2,999,090
Vanguard Total Stock Market	3,691,897	-
DFA Five Year Global Fixed	3,160,903	2,115,695
Vanguard Short-Term Investment Grade	7,442,145	4,912,086
All other mutual funds	<u>4,973,429</u>	<u>4,004,191</u>
	19,268,464	14,031,062
Money Market Funds	<u>869,014</u>	<u>2,216,057</u>
	20,137,478	16,247,119
Less Short-Term Investments	<u>869,014</u>	<u>2,216,057</u>
	<u>\$ 19,268,464</u>	<u>\$ 14,031,062</u>

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 (With Comparative Totals for 2020)

NOTE 5 — INVESTMENTS (Continued)

Investments are classified as follows:

	December 31,	
	2021	2020
Those With Donor Restrictions		
Specified purposes	\$ 3,881,568	\$ 3,775,694
Endowment funds	<u>6,269,687</u>	<u>5,167,668</u>
	10,151,255	8,943,362
Those Without Donor Restrictions	<u>9,986,223</u>	<u>7,303,757</u>
	<u>\$ 20,137,478</u>	<u>\$ 16,247,119</u>

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, 2021 and 2020.

- *Mutual funds:* Valued at the daily closing price reported by the fund, which is the quoted publicly traded net asset value (NAV) of shares.
- *Money market funds:* Valued at quoted prices in markets that are not active which the individual 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	Level 2	Level 3	Fair Value	Fair Value
	December 31, 2021				December 31, 2020
<i>Assets-Investments</i>					
<i>Mutual funds</i>					
Equities	\$ 8,685,416	\$ -	\$ -	\$ 8,685,416	\$ 7,003,281
Fixed income	<u>10,583,048</u>	-	-	<u>10,583,048</u>	<u>7,027,781</u>
	19,268,465	-	-	19,268,464	14,031,062
Money market funds	-	<u>869,014</u>	-	<u>869,014</u>	<u>2,216,057</u>
2021 Totals	<u>\$ 19,268,464</u>	<u>\$ 869,014</u>	<u>\$ -</u>	<u>\$ 20,137,478</u>	
2020 Totals	<u>\$ 14,031,062</u>	<u>\$ 2,216,057</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,247,119</u>
<i>Assets-Restricted Funds</i>					
2021	<u>\$ 125,667</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 125,667</u>	
2020	<u>\$ 139,832</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ 139,832</u>

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NOTES TO FINANCIAL STATEMENTS
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NOTE 7 — PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	December 31,	
	2021	2020
Leasehold Improvements	\$ 47,888	\$ 47,888
Equipment	162,759	162,578
Software Implementation in Progress	49,064	34,634
Furniture and Fixtures	<u>50,046</u>	<u>50,046</u>
	309,757	295,146
Less Accumulated Depreciation	<u>170,964</u>	<u>(148,778)</u>
	<u>\$ 138,793</u>	<u>\$ 146,368</u>

Depreciation expense for the years ended December 31, 2021 and 2020 was \$22,592 and \$18,823, respectively.

NOTE 8 — NOTE PAYABLE - PPP LOAN

On April 16, 2020, the Foundation received a Paycheck Protection Program (PPP) loan of \$194,500 under the Coronavirus Aid, Relief, and Economic Security Act. This loan, which is in the form a promissory note dated April 16, 2020, is between the Foundation and Commerce Bank, and the satisfaction of conditions of the loan are subject to review by the Small Business Administration (SBA). The PPP loan bears interest at a rate of 1.0% per annum.

In July 2021, the SBA remitted \$196,915, including interest, to Commerce Bank for forgiveness of all amounts due under the PPP loan. Related forgiveness income is included in public support and revenue for the year ended December 31, 2021.

According to the rules of the SBA, the Foundation is required to retain PPP loan documentation for six years and permit authorized representatives of the SBA to access such files upon request. Should the SBA conduct such a review and reject all or some of the Foundation's judgments pertaining to satisfying PPP loan eligibility or forgiveness conditions, the Foundation may be required to adjust previously reported amounts and disclosures in the financial statements.

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS
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NOTE 9 — NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods.

	December 31,	
	2021	2020
Subject to Expenditure for Specified Purpose		
Other program restrictions		
Advising	\$ 94,076	\$ 151,006
Advocacy	107,587	148,386
Grants	3,361,404	3,091,725
Loans	1,530,000	-
Miscellaneous	10,047	14,481
Program	<u>76,000</u>	<u>72,000</u>
	5,179,114	3,477,598
Deedee Becker Fund - loans to nursing students (*)	<u>1,334,564</u>	<u>1,220,476</u>
	<u>6,513,678</u>	<u>4,698,074</u>
Subject to the Passage of Time	<u>119,318</u>	<u>148,048</u>
Endowment Funds (Note 10)		
Subject to the Foundation's spending policy and appropriation		
11 separate funds	2,336,832	2,021,997
Earnings allocated to the Deedee Becker Fund		
1 separate fund	<u>1,993,442</u>	<u>1,993,442</u>
	4,330,274	4,015,439
Accumulated investment gains	<u>1,747,497</u>	<u>1,152,229</u>
	<u>6,077,771</u>	<u>5,167,668</u>
	<u>\$ 12,710,767</u>	<u>\$ 10,013,790</u>

* Includes net student loan receivables of \$712,682 and \$688,451 as of December 31, 2021 and 2020, respectively.

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, 2021:

Purpose Restrictions	\$ 2,568,037
Time Restrictions	170,554
Endowment Appropriations	<u>156,495</u>
Total restrictions released	<u>\$ 2,895,086</u>

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NOTES TO FINANCIAL STATEMENTS
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NOTE 10 — ENDOWMENT

The Foundation's endowment consists of eleven funds established by donors to provide for program purposes (Note 9). Net assets associated with endowment funds are classified and reported based on the existence or absence of donor restrictions.

Interpretation of Relevant Law

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

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

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

Return Objectives and Risk Parameters

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

Strategies Employed for Achieving Objectives

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

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NOTE 10 — ENDOWMENT (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The spending policy calculates the amount of money annually distributed from the Foundation's various endowed funds, for grant making and administration. The Foundation has a spending policy to distribute each year an amount at least equal to 4.5% of the endowment funds' average historical cost of the prior twelve quarters through the calendar year end preceding the fiscal year. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets and consistency with programs and commitments to students over a long-term period.

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

	December 31,	
	2021	2020
Donor Restricted Funds - Managed by the Foundation		
Original donor restricted gift amount	\$ 4,330,274	\$ 4,015,439
Accumulated investment gains	<u>1,747,497</u>	<u>1,152,229</u>
	<u>\$ 6,077,771</u>	<u>\$ 5,167,668</u>

Changes in endowment net assets are as follows:

	As of and for the Years Ended December 31,	
	2021	2020
Endowment Net Assets		
Beginning of year	\$ 5,167,668	\$ 4,697,902
Gifts	314,835	168,600
Interest and dividends	100,069	82,053
Gains on investments	664,220	387,377
Investment advisory fees	(12,526)	(13,474)
Appropriated for expenditure based on spending rate policy	<u>(156,495)</u>	<u>(154,790)</u>
End of year	<u>\$ 6,077,771</u>	<u>\$ 5,167,668</u>

NOTE 11 — OPERATING LEASES

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

Minimum payments on these operating leases are as follows:

Year Ending <u>December 31,</u>	
2021	\$ 168,512
2022	171,243
2023	167,922
2024	158,549
2025	160,143
Thereafter	<u>80,562</u>
	<u>\$ 906,932</u>

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NOTE 11 — OPERATING LEASES (Continued)

Rent expense for ongoing operations, including common area maintenance, was \$152,267 and \$146,012 for the years ended December 31, 2021 and 2020, respectively, and is included in occupancy in the statement of functional expenses.

Equipment rental expense was \$19,674 and \$20,356 for the years ended December 31, 2021 and 2020, respectively, and is included in occupancy in the statement of functional expenses.

Effective July 2017, the processing center was subleased to an unaffiliated organization. The lease obligation and the expected common area maintenance costs related to the discontinued operations were expected to be offset by the receipt of payments due under the sublease. During the year ended December 31, 2020, the sublease and lease of the processing center were terminated. Upon termination, it resulted in a gain of \$16,250, which is included in collection fees and other income in the statement of activities.

Rent expense of \$61,477 was offset by sublease rental income of \$61,477 for the year ended December 31, 2020.

NOTE 12 — DEFERRED COMPENSATION 403(b) PLAN

The Foundation offers a 403(b) deferred compensation plan for all eligible employees upon their first day of employment. Beginning October 1, 2021, the Foundation matches the employee deferred amount immediately rather than require a two year wait. The match is 50% of employee contributions up to 6% of salary. The Foundation contributed a total of \$17,615 and \$4,203 to the plan for the years ended December 31, 2021 and 2020, respectively.

NOTE 13 — MAJOR PUBLIC SUPPORT

The Foundation received \$3,175,200 from two donors and \$2,683,200 from one donor of its gifts and grants representing 46% and 44% during the years ended December 31, 2021 and 2020, respectively.

NOTE 14 — COMMITMENTS

As disclosed in Note 1, the Foundation provides interest-free loans and grant awards to students for post-secondary education. The Foundation has approved the budget for the year ending December 31, 2022 for \$2,200,000 of student loans and \$3,669,500 of grant awards.

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS
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NOTE 15 — FUNCTIONAL EXPENSE ALLOCATION

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, and other, which are allocated on the basis of time and effort.

	Years Ended December 31,				(Comparative Totals Only)
	2021			2020	
	Program Services	Supporting Services Management and General	Fund Raising	Total	
Functional Expenses - Financial Reporting					
Compensation, Including Payroll					
Taxes and Employee Benefits	\$ 965,533	\$ 109,018	\$ 315,285	\$ 1,389,836	\$ 1,372,053
Collection Fees	68,010	-	-	68,010	58,899
Community Programs	72,176	-	-	71,176	45,377
Information Technology	64,558	24,712	24,133	113,403	105,176
Meetings and Conferences	23,751	6,684	5,309	35,744	93,329
Occupancy	120,454	13,537	39,333	173,324	176,401
Other Items	82,673	26,828	42,623	152,124	132,967
Professional Fees	17,710	56,585	28,093	102,388	152,915
Provision for Uncollectible Loans	1,442,967	-	-	1,442,967	1,317,981
Grants - Forgone Interest Not					
Charged on Student Loans #	1,353,731	-	-	1,353,731	1,490,395
Grants Awarded	<u>2,774,971</u>	<u>-</u>	<u>-</u>	<u>2,774,971</u>	<u>2,357,176</u>
TOTAL EXPENSES - 2021	<u>\$ 6,986,534</u>	<u>\$ 237,364</u>	<u>\$ 454,776</u>	<u>\$ 7,678,674</u>	
TOTAL EXPENSES - 2020	<u>\$ 6,630,088</u>	<u>\$ 184,603</u>	<u>\$ 487,978</u>		<u>\$ 7,302,669</u>
Functional Expenses - Income Tax Reporting (IRS Form 990)					
Expenses Per Financial Reporting	\$ 6,986,534	\$ 237,364	\$ 454,776	\$ 7,678,674	\$ 7,302,669
Grants - Loans Made to Students	1,931,185	-	-	1,931,185	2,262,887
In-kind Professional Services	-	-	-	-	15,030
Investment Advisory Fees					
(Included in Revenues)	-	38,092	-	38,092	32,790
Grants - Forgone Interest Not					
Charged on Student Loans #	<u>(1,353,731)</u>	<u>-</u>	<u>-</u>	<u>(1,353,731)</u>	<u>(1,490,395)</u>
TOTAL EXPENSES - 2021	<u>\$ 7,563,988</u>	<u>\$ 275,456</u>	<u>\$ 454,776</u>	<u>\$ 8,294,220</u>	
PERCENTAGE - 2021	<u>91.2%</u>	<u>3.3%</u>	<u>5.5%</u>	<u>100.0%</u>	
TOTAL EXPENSES - 2020	<u>\$ 7,410,095</u>	<u>\$ 217,393</u>	<u>\$ 495,493</u>		<u>\$ 8,122,981</u>
PERCENTAGE - 2020	<u>91.2%</u>	<u>2.7%</u>	<u>6.1%</u>		<u>100.0%</u>

Refer to Note 1 on page 10.