

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS

REVIEWED FINANCIAL STATEMENTS

**Year Ended December 31, 2015
(With Comparative Totals for 2014)**

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, 2015, 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, 2014 and, in our report dated March 5, 2015, 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
March 3, 2016

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS
December 31, 2015 (With Comparative Totals for 2014)

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,410,370	\$ 1,492,720
Restricted funds for Centennial Scholars Program	14,301	30,401
Unconditional promises-to-give	236,714	73,183
Student loan receivables - current	2,050,000	1,950,000
Investments	153,840	-
Prepaid expenses and other assets	<u>28,354</u>	<u>18,055</u>
Total current assets	<u>4,893,579</u>	<u>3,564,359</u>
LONG-TERM ASSETS		
Restricted funds for Future Forward Program	74,081	21,500
Unconditional promises-to-give	230,990	163,640
Student loan receivables	24,207,185	23,238,740
Investments	6,274,321	7,707,001
Property and equipment	<u>2,405,346</u>	<u>2,176,362</u>
Total long-term assets	<u>33,191,923</u>	<u>33,307,243</u>
Total assets	<u>\$ 38,085,502</u>	<u>\$ 36,871,602</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 351,484	\$ 270,538
Construction payable	105,643	-
Amounts held for collaborative programming	-	207,171
Unconditional promises-to-give for Future Forward Program	115,580	61,500
Annuities payable	<u>29,218</u>	<u>29,218</u>
Total current liabilities	<u>601,925</u>	<u>568,427</u>
ANNUITIES PAYABLE - LONG-TERM	<u>109,645</u>	<u>116,765</u>
Total liabilities	<u>711,570</u>	<u>685,192</u>
NET ASSETS		
Unrestricted		
Undesignated, available for operations	2,763,471	3,193,189
Net investment in student loans	26,257,185	25,188,740
Net investment in property and equipment	2,405,346	2,176,362
Board designated reserves	<u>800,000</u>	<u>775,000</u>
	<u>32,226,002</u>	<u>31,333,291</u>
Temporarily restricted	1,447,491	1,274,720
Permanently restricted	<u>3,700,439</u>	<u>3,578,399</u>
Total net assets	<u>37,373,932</u>	<u>36,186,410</u>
Total liabilities and net assets	<u>\$ 38,085,502</u>	<u>\$ 36,871,602</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, 2015 (With Comparative Totals for 2014)

	Years Ended December 31,				2014 (Comparative Totals Only)
	2015				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
PUBLIC SUPPORT AND REVENUE					
Public support					
Gifts and grants	\$ 1,519,814	\$ 692,817	\$ 122,040	\$ 2,334,671	\$ 1,046,287
Bequests	957,308	-	-	957,308	300,000
Tributes	32,900	-	-	32,900	59,157
Contributions	509,321	-	-	509,321	463,647
	<u>3,019,343</u>	<u>692,817</u>	<u>122,040</u>	<u>3,834,200</u>	<u>1,869,091</u>
Special Event					
Contributions	-	156,298	-	156,298	-
Revenue	-	14,290	-	14,290	-
Direct expenses	-	(42,515)	-	(42,515)	-
	<u>-</u>	<u>128,073</u>	<u>-</u>	<u>128,073</u>	<u>-</u>
Revenue					
Shop sales, net of retail and processing expenses of \$2,317,838 and \$1,870,387 for the years ended December 31, 2015 and 2014, respectively	752,295	-	-	752,295	1,164,996
Interest and dividends	39,063	176,977	-	216,040	219,056
Realized and unrealized gains (losses) on investments	(104,921)	(171,455)	-	(276,376)	103,336
Losses from annuities and trusts	(3,546)	(17,066)	-	(20,612)	(20,762)
Other	721	-	-	721	415
	<u>683,612</u>	<u>(11,544)</u>	<u>-</u>	<u>672,068</u>	<u>1,467,041</u>
Net assets released from restrictions	636,575	(636,575)	-	-	-
Total public support and revenue	<u>4,339,530</u>	<u>172,771</u>	<u>122,040</u>	<u>4,634,341</u>	<u>3,336,132</u>
EXPENSES					
Program services, excluding student loans awarded of \$3,744,933 and \$3,216,218 for the years ended December 31, 2015 and 2014, respectively	2,752,998	-	-	2,752,998	1,920,362
Supporting services					
Management and general	342,297	-	-	342,297	343,145
Fund raising	351,524	-	-	351,524	294,354
Total expenses	<u>3,446,819</u>	<u>-</u>	<u>-</u>	<u>3,446,819</u>	<u>2,557,861</u>
CHANGES IN NET ASSETS	892,711	172,771	122,040	1,187,522	778,271
NET ASSETS, Beginning	<u>31,333,291</u>	<u>1,274,720</u>	<u>3,578,399</u>	<u>36,186,410</u>	<u>35,408,139</u>
NET ASSETS, Ending	<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>

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS
STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
Year Ended December 31, 2015 (With Comparative Totals for 2014)

	Years Ended December 31,				(Comparative Totals Only)
	2015			2014	
	Program Services	Supporting Services		Total	
	Management and General	Fund Raising			
Salaries and Wages	\$ 650,172	\$ 152,751	\$ 176,252	\$ 979,175	\$ 826,169
Payroll Taxes and Employee Benefits	<u>111,047</u>	<u>25,635</u>	<u>29,873</u>	<u>166,555</u>	<u>145,320</u>
	<u>761,219</u>	<u>178,386</u>	<u>206,125</u>	<u>1,145,730</u>	971,489
Collection Costs	10,375	-	-	10,375	8,942
Community Programs	156,735	-	-	156,735	102,573
Depreciation	48,908	11,467	13,282	73,657	73,183
Information Technology	30,927	30,487	18,965	80,379	50,685
Insurance	10,056	2,359	2,731	15,146	14,281
Meetings	7,596	2,570	6,677	16,843	20,697
Miscellaneous and Equipment Rental	41,438	14,351	9,111	64,900	49,770
Occupancy	15,510	3,636	4,212	23,358	25,250
Office Expenses	11,755	4,218	8,714	24,687	31,032
Printing	-	8,891	9,443	18,334	38,668
Professional Fees	30,514	76,320	62,051	168,885	162,732
Provision for Uncollectible Loans	486,407	-	-	486,407	170,397
Repair and Maintenance	16,190	3,795	4,396	24,381	29,045
Service Charges	5,818	5,817	5,817	17,452	12,567
Grants Awarded	<u>1,119,550</u>	<u>-</u>	<u>-</u>	<u>1,119,550</u>	<u>796,550</u>
TOTAL EXPENSES	<u>2,752,998</u>	<u>342,297</u>	<u>351,524</u>	<u>3,446,819</u>	2,557,861
Student Loans Awarded	<u>3,744,933</u>	<u>-</u>	<u>-</u>	<u>3,744,933</u>	<u>3,216,218</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> %	
TOTAL EXPENSES AND LOANS AWARDED - 2014	<u>\$ 5,136,580</u>	<u>\$ 343,145</u>	<u>\$ 294,354</u>		<u>\$ 5,774,079</u>
PERCENTAGE - 2014	<u>89.0</u> %	<u>5.9</u> %	<u>5.1</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, 2015 (With Comparative Totals for 2014)

	<u>Years Ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
OPERATING ACTIVITIES		
Changes in net assets	\$ 1,187,522	\$ 778,271
Adjustments to reconcile changes in net assets to net cash used by operating activities		
Donation of investments	(153,840)	-
(Gains) losses on investments	276,376	(103,336)
Losses on restricted funds	419	-
Losses from annuities and trusts	20,612	20,762
Depreciation	233,721	197,942
Provision for uncollectible loans	486,407	170,397
Permanently restricted contributions for endowment	(122,040)	(95,095)
Temporarily restricted contributions for vehicle purchase	(106,031)	-
Changes in		
Restricted funds for Centennial Scholars Program	16,100	(30,401)
Unconditional promises-to-give	(230,881)	(94,683)
Student loan receivables		
New loans awarded	(3,744,933)	(3,216,218)
Loans repaid	2,190,081	1,969,641
Prepaid expenses and other assets	(10,299)	(1,894)
Accounts payable and accrued expenses	80,946	(30,632)
Amounts held for collaborative programming	(207,171)	19,544
Unconditional promises-to-give for Future Forward Program	54,080	61,500
Annuities payable	(27,732)	(28,150)
Net cash used by operating activities	<u>(56,663)</u>	<u>(382,352)</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	(357,062)	(8,202)
Purchases of investments	(2,673,446)	(1,324,071)
Proceeds from sale of investments	3,829,750	1,915,000
Restricted funds for Future Forward Program	(53,000)	(21,500)
Net cash provided by investing activities	<u>746,242</u>	<u>561,227</u>
FINANCING ACTIVITIES		
Proceeds from contributions restricted for endowment	122,040	95,095
Proceeds from contributions restricted for vehicle purchase	106,031	-
Net cash provided by financing activities	<u>228,071</u>	<u>95,095</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	917,650	273,970
CASH AND CASH EQUIVALENTS, Beginning	<u>1,492,720</u>	<u>1,218,750</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 2,410,370</u>	<u>\$ 1,492,720</u>
NONCASH OPERATING AND INVESTING ACTIVITIES		
Increase in construction payable	<u>\$ 105,643</u>	<u>\$ -</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, 2015 (With Comparative Totals for 2014)

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 11,100 students have been awarded more than \$69,200,000 in interest-free loans and more than \$6,500,000 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 May 2015, the Foundation launched its newest addition to ScholarShop's brand, Miki's Closet by ScholarShop, an innovative fashion boutique-on-wheels. Named in memory of businesswoman and philanthropist, Miki Zimring, the fashion truck is designed to extend the reach of ScholarShop, which has served the St. Louis community since 1960.

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, 2014, 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, 2015 (With Comparative Totals for 2014)

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 statements of assets, liabilities and net assets - modified cash basis as follows:

- Undesignated: represents resources available for current operations
- Investment in student loans: represents outstanding student loan receivables
- Investment in property and equipment: represents the net book value of property and equipment
- Board designated reserves: represents resources that the governing board has designated unrestricted net assets to be reserved for:
 - a) operating expenses (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, 2015 (With Comparative Totals for 2014)

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, 2015 and 2014, 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 \$2,558,647 is approximately \$2,300,000 at December 31, 2015 (using a discount rate of 2.27% 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% (3% in 2014) of gross student loans outstanding. The rate was increased to 4% based on an updated default study performed during 2015. 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, 2015 (With Comparative Totals for 2014)

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, 2015 (With Comparative Totals for 2014)

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, Grants, and Amounts Held for Collaborative Programming

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

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

Amounts held for collaborative programming consists primarily of funds collected in advance on collaborative arrangements (for St. Louis Graduates). The Foundation's receipts and expenditures for the year ended December 31, 2015 under these collaborative arrangements were \$93,110 and \$219,514, respectively. Since the Foundation acted in an agency role, these amounts were not reflected in revenues or expenses in the accompanying financial statements. Effective December 2015, the St. Louis Community Foundation is now the primary fiscal agent for St. Louis Graduates.

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

Unconditional promises-to-give for Future Forward Program 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, 2015 (With Comparative Totals for 2014)

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 bequest revenue from a charitable lead annuity trust for each of the years ended December 31, 2015 and 2014.

ScholarShop Revenues

Shop revenues are recognized when merchandise is sold and are presented net of retail and processing expenses on the statements 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
NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS
December 31, 2015 (With Comparative Totals for 2014)

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 \$121,453 and \$277,989 during the years ended December 31, 2015 and 2014, 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, 2014 to conform to the presentation for the year ended December 31, 2015.

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 March 3, 2016, 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,	
	2015	2014
Checking	\$ 2,336,699	\$ 1,186,434
Money Market Mutual Funds	<u>73,671</u>	<u>306,286</u>
Total cash and cash equivalents	<u>\$ 2,410,370</u>	<u>\$ 1,492,720</u>

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS
December 31, 2015 (With Comparative Totals for 2014)

NOTE 3 — RESTRICTED FUNDS

Restricted funds consist of the following:

	December 31,	
	2015	2014
Centennial Scholars Program (current) (a)	\$ 14,301	\$ 30,401
Future Forward Program (long-term) (b)	<u>74,081</u>	<u>21,500</u>
Total restricted funds	<u>\$ 88,382</u>	<u>\$ 51,901</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 through 2020 (or six years) for undergraduate studies. The program is funded by a donor on a reimbursement basis in which the Foundation receives the funds, when the Little Brothers, Little Sisters reapply and meet the requirements annually. For the year ended December 31, 2015 and 2014, the Foundation granted awards of \$274,800 and \$104,900, 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, 2015, the Foundation committed a total of \$116,000 (representing initial account funding of \$500 per eighth-grade student) and funded \$74,500 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 remaining \$41,500 is expected to be funded in early 2016. 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 \$419 for the year ended December 31, 2015.

NOTE 4 — STUDENT LOAN RECEIVABLES

Student loan receivables consist of the following:

	December 31,	
	2015	2014
Loan Balances Not Yet in Repayment	\$ 13,956,742	\$ 13,350,808
Loan Balances in Repayment	<u>13,394,492</u>	<u>12,616,965</u>
Total student loan receivables	27,351,234	25,967,773
Less Allowance for Student Loan Losses	<u>1,094,049</u>	<u>779,033</u>
Net student loan receivables	26,257,185	25,188,740
Less Current Portion (Estimated Repayments in 2016)	<u>2,050,000</u>	<u>1,950,000</u>
Long-Term Student Loan Receivables (Estimated Repayments Beyond 2016)	<u>\$ 24,207,185</u>	<u>\$ 23,238,740</u>

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS
December 31, 2015 (With Comparative Totals for 2014)

NOTE 4 — STUDENT LOAN RECEIVABLES (Continued)

Changes in the allowance for uncollectible loans are as follows:

	December 31,	
	2015	2014
Balance, Beginning	\$ 779,033	\$ 745,749
Provision for uncollectible loans	486,407	170,397
Recoveries on loans	19,277	6,413
Less loans charged off	<u>(190,668)</u>	<u>(143,526)</u>
Balance, Ending	<u>\$ 1,094,049</u>	<u>\$ 779,033</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	
December 31, 2015					
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>
December 31, 2014					
Student Loans	<u>\$13,350,808</u>	<u>\$ 9,301,366</u>	<u>\$114,373</u>	<u>\$ 3,201,226</u>	<u>\$25,967,773</u>

(*) Including grace period.

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

	December 31,	
	2015	2014
Student Loans		
Average or lower risk	\$ 24,076,558	\$ 22,862,524
Doubtful	<u>3,274,676</u>	<u>3,105,249</u>
	<u>\$ 27,351,234</u>	<u>\$ 25,967,773</u>

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS
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NOTE 5 — INVESTMENTS

Investments consist of the following:

	December 31,	
	2015	2014
Mutual Funds		
Dimensional Fund Advisors (DFA) U.S. Core Equity 2	\$ 1,475,243	\$ 1,787,654
DFA Five Year Global Fixed	750,644	1,023,401
Vanguard GNMA Fund	767,747	1,036,600
Vanguard Short-Term Investment Grade	1,000,361	1,349,950
All other mutual funds	<u>1,864,968</u>	<u>2,117,876</u>
	5,858,963	7,315,481
Municipal Bonds	415,358	391,520
Common Stocks	<u>153,840</u>	-
	6,428,161	7,707,001
Less Short-Term Investments	<u>153,840</u>	-
	<u>\$ 6,274,321</u>	<u>\$ 7,707,001</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, 2015 and 2014.

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 SCHOLARSHIP FOUNDATION OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS
December 31, 2015 (With Comparative Totals for 2014)

NOTE 6 — FAIR VALUE MEASUREMENTS (Continued)

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

	Level 1 Quoted Prices in Active Markets for Identical Assets	Level 2 Significant Other Observable Inputs	Level 3 Significant Unobservable Inputs	Fair Value	Fair Value December 31, 2014
	December 31, 2015				2014
<i>Assets-Investments</i>					
Common stocks	\$ 153,840	\$ -	\$ -	\$ 153,840	\$ -
Mutual funds					
Equities	3,340,211	-	-	3,340,211	3,905,530
Fixed income	2,518,752	-	-	2,518,752	3,409,951
Municipal bonds	-	415,358	-	415,358	391,520
2015 Totals	<u>\$ 6,012,803</u>	<u>\$ 415,358</u>	<u>\$ -</u>	<u>\$ 6,428,161</u>	
2014 Totals	<u>\$ 7,315,481</u>	<u>\$ 391,520</u>	<u>\$ -</u>		<u>\$ 7,707,001</u>
<i>Assets-Restricted Funds</i>					
2015	<u>\$ 74,081</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 74,081</u>	
2014	<u>\$ 21,500</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ 21,500</u>
<i>Liability-Annuities Payable</i>					
2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 138,863</u>	<u>\$ 138,863</u>	
2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 145,983</u>		<u>\$ 145,983</u>

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

	December 31,	
	2015	2014
Balance, Beginning	\$ 145,983	\$ 153,371
Revaluation of annuities payable	22,098	21,830
Payments	<u>(29,218)</u>	<u>(29,218)</u>
Balance, Ending	<u>\$ 138,863</u>	<u>\$ 145,983</u>

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

	Years Ended December 31,	
	2015	2014
Realized Gains on Investments	\$ 70,966	\$ 44,241
Unrealized Gains (Losses) on Investments	<u>(347,342)</u>	<u>59,095</u>
	<u>\$ (276,376)</u>	<u>\$ 103,336</u>

Professional fees include investment advisory fees of \$28,645 and \$31,004 for the years ended December 31, 2015 and 2014, respectively.

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS
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NOTE 7 — PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	December 31,	
	2015	2014
Land	\$ 423,412	\$ 423,412
Land Improvements	137,452	137,452
Building and Building Improvements	4,214,006	4,214,006
Leasehold Improvements	506,362	290,636
Equipment	311,949	277,713
Furniture and Fixtures	296,026	435,348
Vehicle - Miki's Closet (a)	106,031	-
Construction in Progress	<u>105,643</u>	<u>-</u>
	6,100,881	5,778,567
Less Accumulated Depreciation	<u>(3,695,535)</u>	<u>(3,602,205)</u>
	<u>\$ 2,405,346</u>	<u>\$ 2,176,362</u>

(a) Restricted asset

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, 2015 and 2014. 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,		
2016 - Current Portion		\$ 29,218
2017	\$ 29,218	
2018	29,218	
2019	29,218	
2020	<u>21,991</u>	<u>109,645</u>
		<u>\$ 138,863</u>

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS
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NOTE 9 — TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	December 31,	
	2015	2014
Program Restrictions		
Deedee Becker Fund - Loan to Nursing Students	\$ 549,091	\$ 477,269
Annuity Trust Funds	142,925	159,990
Miki's Closet - restricted asset and contributions	<u>132,638</u>	<u>-</u>
	824,654	637,259
Endowment Funds - Income Restricted as to Time	152,561	400,518
Time Restrictions	<u>470,276</u>	<u>236,943</u>
	<u>\$ 1,447,491</u>	<u>\$ 1,274,720</u>

Net assets were released from donor restrictions by incurring expenses, satisfying the restricted purposes or by occurrence of other events specified by donors as follows for the year ended December 31, 2015:

Program Restrictions	\$ 141,153
Time Restrictions	331,648
Endowment Appropriations	<u>163,774</u>
Total restrictions released	<u>\$ 636,575</u>

NOTE 10 — PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of the following:

	December 31,	
	2015	2014
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	282,323	279,603
The Joanne M. Clevinger Scholarship Fund	<u>219,320</u>	<u>100,000</u>
Total permanently restricted net assets	<u>\$ 3,700,439</u>	<u>\$ 3,578,399</u>

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS
December 31, 2015 (With Comparative Totals for 2014)

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. Subsequent to year end, the State of Missouri passed legislation enacting a state version of the UPMIFA.

Interpretation of Relevant Law

The Board of Directors of the Foundation has interpreted State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified by temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA.

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

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

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS
December 31, 2015 (With Comparative Totals for 2014)

NOTE 11 — ENDOWMENT (Continued)

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% (3.5% in 2014) of the endowment funds' average historical cost of the prior twelve quarters through the calendar year end preceding the fiscal year. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets and consistency with programs and commitments to students over a long-term period.

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor Restricted Endowment Funds - Managed by the Foundation				
December 31, 2015	<u>\$ -</u>	<u>\$ 152,561</u>	<u>\$ 3,700,439</u>	<u>\$ 3,853,000</u>
December 31, 2014	<u>\$ -</u>	<u>\$ 400,518</u>	<u>\$ 3,578,399</u>	<u>\$ 3,978,917</u>

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS
December 31, 2015 (With Comparative Totals for 2014)

NOTE 11 — ENDOWMENT (Continued)

Changes in endowment net assets are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Total December 31, 2014</u>
	<u>December 31, 2015</u>				
Endowment Net Assets, Beginning of Year	\$ -	\$ 400,518	\$ 3,578,399	\$ 3,978,917	\$ 3,788,648
Gifts	-	-	122,040	122,040	95,095
Interest and Dividends	-	176,977	-	176,977	158,778
Gains (Losses) on Investments	-	(261,160)	-	(261,160)	59,976
Appropriated for Expenditure	-	(163,774)	-	(163,774)	(123,580)
End of Year	<u>\$ -</u>	<u>\$ 152,561</u>	<u>\$ 3,700,439</u>	<u>\$ 3,853,000</u>	<u>\$ 3,978,917</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>	
2016	\$ 181,363
2017	167,606
2018	87,417
2019	75,799
2020	80,332
Thereafter	<u>129,106</u>
	<u>\$ 721,623</u>

Rent expense, including common area maintenance, was \$191,608 and \$139,690 for the years ended December 31, 2015 and 2014, respectively, and is included in cost of shop operations.

Equipment rental expense was \$22,520 and \$21,009 for the years ended December 31, 2015 and 2014, respectively, and is included in administrative expenses.

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS
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NOTE 13 — SHOP SALES

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

	Years Ended December 31,	
	2015	2014
Shop Sales (a)	<u>\$ 3,070,133</u>	<u>\$ 3,035,383</u>
Retail and Processing Expenses (b)		
Salaries, payroll taxes and benefits	1,440,190	1,128,348
Rent	191,608	139,690
Advertising	133,395	137,893
Other operating expenses	392,581	339,697
Depreciation	<u>160,064</u>	<u>124,759</u>
	<u>2,317,838</u>	<u>1,870,387</u>
	<u>\$ 752,295</u>	<u>\$ 1,164,996</u>

(a) Shop sales of Miki's Closet (which started in May 2015) were \$14,345.

(b) Retail and processing expenses of Miki's Closet were \$120,270.

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 \$4,507,000 and \$4,636,000 for the years ending December 31, 2015 and 2014, 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 \$235,000 and \$267,000 for the years ending December 31, 2015 and 2014, 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 \$9,957 and \$9,893 to the plan for the years ended December 31, 2015 and 2014, respectively.

NOTE 15 — COMMITMENTS

As of December 31, 2015, the Foundation has outstanding commitments totaling approximately \$244,000 for the renovation of its Clayton ScholarShop space, which was completed in January 2016. Construction payable as of December 31, 2015 was \$105,643.