

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS

REVIEWED FINANCIAL STATEMENTS

**Year Ended December 31, 2022
(With Comparative Totals for 2021)**

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, 2022, 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 Foundation 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 GAAP.

Summarized Comparative Information

We previously reviewed the Foundation's 2021 financial statements and, in our conclusion, dated March 3, 2022, stated that based on our review, we were not aware of any material modifications that should be made to the 2021 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, 2021, for it to be consistent with the reviewed financial statements from which it has been derived.

UHY LLP

St. Louis, Missouri
March 8, 2023

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS
STATEMENT OF FINANCIAL POSITION
December 31, 2022 (With Comparative Totals for 2021)

	December 31,	
	2022	2021
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,698,619	\$ 2,113,585
Unconditional promises-to-give	40,385	56,731
Student loan receivables, net	2,095,000	2,040,000
Investments	1,370,222	869,014
Prepaid expenses and other assets	65,845	45,358
Total current assets	<u>5,270,071</u>	<u>5,124,688</u>
LONG-TERM ASSETS		
Restricted funds for Future Forward Program	102,783	125,667
Unconditional promises-to-give	29,160	79,094
Student loan receivables, net	21,791,689	24,289,015
Right of use assets	703,745	-
Investments	18,440,819	19,268,464
Property and equipment, net	128,165	138,793
Total long-term assets	<u>41,196,361</u>	<u>43,901,033</u>
Total assets	<u>\$ 46,466,432</u>	<u>\$ 49,025,721</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 142,510	\$ 102,256
Unconditional promises-to-give for Future Forward Program	102,783	125,667
Current portion of operating lease liabilities	171,239	-
Deferred revenue	577,241	504,815
Total current liabilities	<u>993,773</u>	<u>732,738</u>
LONG-TERM LIABILITIES		
Operating lease liabilities	544,690	-
Deferred revenue	1,439,579	895,200
Total liabilities	<u>2,978,042</u>	<u>1,627,938</u>
NET ASSETS		
Without donor restrictions		
Undesignated	5,663,203	5,920,620
Board designated program reserves	1,924,056	2,742,063
Board designated emergency reserves	614,900	408,000
Net investment in student loans	23,207,590	25,616,333
Total net assets	<u>31,409,749</u>	<u>34,687,016</u>
With donor restrictions		
Total net assets	<u>12,078,641</u>	<u>12,710,767</u>
Total net assets	<u>43,488,390</u>	<u>47,397,783</u>
Total liabilities and net assets	<u>\$ 46,466,432</u>	<u>\$ 49,025,721</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, 2022 (With Comparative Totals for 2021)

	Years Ended December 31,			2021 (Comparative Totals Only)
	2022		Total	
	Without Donor Restrictions	With Donor Restrictions		
PUBLIC SUPPORT AND REVENUE				
Public support				
Gifts and grants	<u>\$ 3,178,706</u>	<u>\$ 2,531,641</u>	<u>\$ 5,710,347</u>	\$ 6,888,292
Revenue				
Net investment return				
Interest and dividends	278,395	182,198	460,593	301,724
(Losses) gains on investments and restricted funds	(1,589,855)	(919,074)	(2,508,929)	1,285,878
Investment advisory fees	(28,179)	(11,338)	(39,517)	(38,092)
	<u>(1,339,639)</u>	<u>(748,214)</u>	<u>(2,087,853)</u>	1,549,510
Interest income not charged on student loans	1,218,737	-	1,218,737	1,353,731
Collection fees and other	91,707	3,593	95,300	66,452
PPP loan forgiveness income	-	-	-	194,500
	<u>(29,195)</u>	<u>(744,621)</u>	<u>(773,816)</u>	3,164,193
Net assets released from restrictions	<u>2,388,957</u>	<u>(2,388,957)</u>	<u>-</u>	-
Total public support and revenue	<u>5,538,468</u>	<u>(601,937)</u>	<u>4,936,531</u>	10,052,485
EXPENSES				
Program services	7,878,626	30,189	7,908,815	6,986,534
Supporting services				
Management and general	507,722	-	507,722	237,364
Fundraising	434,217	-	434,217	454,776
Total expenses	<u>8,820,565</u>	<u>30,189</u>	<u>8,850,754</u>	7,678,674
CHANGES IN NET ASSETS	(3,282,097)	(632,126)	(3,914,223)	2,373,811
NET ASSETS, Beginning	<u>34,691,846</u>	<u>12,710,767</u>	<u>47,402,613</u>	45,023,972
NET ASSETS, Ending	<u>\$ 31,409,749</u>	<u>\$ 12,078,641</u>	<u>\$ 43,488,390</u>	\$ 47,397,783

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, 2022 (With Comparative Totals for 2021)

	<u>Years Ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
OPERATING ACTIVITIES		
Changes in net assets	\$ (3,914,223)	\$ 2,373,811
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Loss (gain) on sale of property and equipment	4,582	(14)
Loss (gain) on investments and restricted funds	2,508,929	(1,285,878)
Depreciation	26,455	22,592
Provision for uncollectible loans	1,544,721	1,442,967
Permanently restricted gifts for endowment	(150,450)	(314,835)
PPP loan forgiveness income	-	(194,500)
Reduction in the carrying amount of right-of-use assets	17,014	-
Changes in		
Unconditional promises-to-give	66,280	47,233
Student loan receivables		
New loans awarded	(1,375,390)	(1,931,185)
Loans repaid	2,272,995	2,075,859
Prepaid expenses and other assets	(20,487)	1,293
Accounts payable and accrued expenses	40,254	(16,410)
Unconditional promises-to-give for Future Forward Program	(22,884)	(14,165)
Deferred revenue	616,805	235,067
Net cash provided by operating activities	<u>1,614,601</u>	<u>2,441,835</u>
INVESTING ACTIVITIES		
Proceeds from sale of investments	26,636,682	18,530,150
Purchases of investments	(28,809,804)	(21,137,078)
Purchases of property and equipment	(20,409)	(16,203)
Proceeds from sale of property and equipment	-	1,200
Restricted funds for Future Forward Program	13,514	16,612
Net cash used by investing activities	<u>(2,180,017)</u>	<u>(2,605,319)</u>
FINANCING ACTIVITIES		
Proceeds from gifts restricted for endowment	150,450	314,835
Net cash provided by financing activities	<u>150,450</u>	<u>314,835</u>
NET (DECREASE) INCREASE IN CASH	(414,966)	151,351
CASH, Beginning	<u>2,113,585</u>	<u>1,962,234</u>
CASH, Ending	<u>\$ 1,698,619</u>	<u>\$ 2,113,585</u>
SUPPLEMENTAL DISCLOSURES		
Right of use assets obtained in exchange for operating lease liabilities	\$ 865,993	\$ -

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

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 (With Comparative Totals for 2021)

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist in understanding The Scholarship Foundation of St. Louis' (the Foundation) financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America (GAAP).

History and Business Activity

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 13,750 students have been awarded more than \$87,275,400 in interest-free loans and more than \$20,791,600 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, 2021, 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, 2022 (With Comparative Totals for 2021)

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

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, 2022 and 2021, 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, 2022 (With Comparative Totals for 2021)

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 \$458,069 is approximately \$430,000 at December 31, 2022 (using a discount rate of 4.41% based on a 2 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 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 year ended December 31, 2021, 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. Past due or default status is based on contractual terms as stated in the signed promissory note as well as federal, state, and local laws and regulations.

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, 2022 (With Comparative Totals for 2021)

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, 2022 and 2021.

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 (With Comparative Totals for 2021)

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.

Leases

The Foundation determines if an arrangement is a lease at inception by determining whether the agreement conveys the right to control the use of the identified asset for a period of time, whether the Foundation has the right to obtain substantially all of the economic benefits from use of the identified asset, and the right to direct the use of the asset. Lease liabilities are recognized at the commencement date based upon the present value of the remaining future minimum lease payments over the lease term using the rate implicit in the lease or the Foundation's incremental borrowing rate. The incremental borrowing rate is defined as the rate of interest the Foundation would have to pay to borrow on a collateralized basis over a similar term in an amount equal to the lease payments in a similar economic environment or the risk free rate. The risk free rate is defined as the daily treasury par yield curve rate for a period of time that approximates the lease term. The Foundation's lease terms include options to renew or terminate the lease when it is reasonably certain that it will exercise the option.

The lease right-of-use assets are initially measured at the carrying amount of the lease liability and adjusted for any prepaid or accrued lease payments, remaining balance of lease incentives received, unamortized initial direct costs, or impairment charges relating to the right-of-use-asset. Certain leases contain escalation clauses, which are factored into the right-of-use asset where appropriate. Lease expense for minimum lease payments are recognized on straight-line basis over the lease term.

The Foundation has lease agreements with lease and non-lease components. For all leases, these components are accounted for as a single lease component.

Variable lease expenses, including payments based upon changes in a rate or index, such as consumer price indexes, usage of the leased asset, utilities, real estate taxes, insurance and variable common area maintenance are expensed as incurred. The Foundation's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Property and Equipment

Purchases of property and equipment with values of \$2,500 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, 2022 and 2021.

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 (With Comparative Totals for 2021)

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (Continued)

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

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

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, 2022 and 2021, respectively.

Gifts and Grants

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, net assets with donor restrictions are released to net assets without donor restriction 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 net assets without donor restrictions. 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, 2022 (With Comparative Totals for 2021)

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 4.4% (4.6% at December 31, 2021) and the loan disbursement rate was 1.1% at December 31, 2022 and 2021. As a result, noncash interest income and grant expense - forgone interest not charged on student loans of \$1,218,737 and \$1,353,731 was recognized for the years ended December 31, 2022 and 2021, 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.

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 and Planning 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 and Planning Committee believe that the investment policies and guidelines are prudent for the long-term welfare of the Foundation.

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 (With Comparative Totals for 2021)

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

Donated Securities

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 \$434,488 and \$226,606 during the years ended December 31, 2022 and 2021, respectively.

Recently Adopted Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board issued accounting standards update (“ASU”) 2016-02 “Leases (Topic 842)”. Under this guidance, an entity is required to recognize right-of-use assets and lease liabilities on its statement of financial position and disclose key information about leasing arrangements.

The Foundation adopted the new standard effective January 1, 2022 using the modified retrospective approach. This approach allows the Foundation to initially apply the new accounting standard at the adoption date and recognize a cumulative adjustment to the opening balance of net assets in the period of adoption. The prior year comparative information has not been restated and continues to be reported under the accounting standards in effect for that period. The cumulative effect of adopting the standard reduced net assets at January 1st, 2022 by \$4,830. In addition, the Foundation recorded right-of-use assets totaling \$865,993 and operating lease liabilities totaling \$873,451.

The new standard provides a number of optional practical expedients at transition. The Foundation elected certain practical expedients that must be elected as a package, which permit the Foundation to not reassess, under the new standard, prior conclusions about (1) lease identification, (2) lease classification and (3) initial direct costs. Additionally, the Foundation elected a short-term lease exception policy, which allows entities to not apply the new standard to short-term leases (i.e. leases with terms of 12 months or less). The Foundation has also elected to account for lease and non-lease components as a single component for all leases, and elected to utilize a risk-free rate for all leases when calculating the lease liability.

Subsequent Events

The Foundation has performed a review of events subsequent to the statement of financial position date through March 8, 2023, the date the financial statements were available to be issued.

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 (With Comparative Totals for 2021)

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,	
	2022	2021
Cash	\$ 1,698,619	\$ 2,113,585
Unconditional Promises-to-Give	40,385	56,731
Student Loans Receivable	2,095,000	2,040,000
Investments	1,370,222	869,016
Endowment Spending-Rate Distributions and Appropriations	<u>201,633</u>	<u>186,015</u>
	5,405,859	5,265,347
Less Certain Board Designated Funds	<u>1,108,500</u>	<u>895,700</u>
	<u>\$ 4,297,359</u>	<u>\$ 4,369,647</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 of Directors 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 \$102,783 and \$125,667 as of December 31, 2022 and 2021, 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, 2022, 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 \$26,234 and are net of cumulative disbursements to qualified students of \$104,650 as of December 31, 2022. The Foundation is the owner of these accounts with the student listed as the beneficiary. The Foundation has conditionally pledged additional funding up to \$900 per student based on certain criteria as defined in the Future Forward Program. These funds are invested in the Vanguard Conservative Growth Portfolio fund (mutual fund, level 1 fair value - Note 6) and had unrealized losses of \$9,370 and \$59 for the years ended December 31, 2022 and 2021, respectively.

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 (With Comparative Totals for 2021)

NOTE 4 — STUDENT LOAN RECEIVABLES

Student loan receivables consist of the following:

	December 31,	
	2022	2021
Students in School - Amounts Not Due (*)	<u>\$ 9,699,198</u>	<u>\$ 10,625,338</u>
Students in Repayment		
Current or less than 30 days past due	10,425,830	12,478,739
30 - 89 days past due	33,409	91,050
90 days past due	23,054	242,007
In collections	<u>6,359,275</u>	<u>4,572,456</u>
	<u>16,841,568</u>	<u>17,384,252</u>
Total student loan receivables	26,540,766	28,009,590
Less Allowance for Student Loan Losses	<u>2,654,077</u>	<u>1,680,575</u>
Net student loan receivables	23,886,689	26,329,015
Less Current Portion (Estimated Repayments in 2023 and 2022)	<u>2,095,000</u>	<u>2,040,000</u>
Long-Term Student Loan Receivables (Estimated Repayments Beyond 2023 and 2022)	<u>\$ 21,791,689</u>	<u>\$ 24,289,015</u>

(*) Including grace period.

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

	As of and for the Years Ended December 31,	
	2022	2021
Balance, Beginning	\$ 1,680,575	\$ 1,781,915
Provision for uncollectible loans	1,544,721	1,422,967
Recoveries on loans	22,006	8,894
Less loans charged off	<u>(593,225)</u>	<u>(1,533,201)</u>
Balance, Ending	<u>\$ 2,654,077</u>	<u>\$ 1,680,575</u>

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS
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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,	
	2022	2021
Student Loans		
Average or lower risk	\$ 20,181,491	\$ 23,437,134
Doubtful (in collection)	<u>6,359,275</u>	<u>4,572,456</u>
	<u>\$ 26,540,766</u>	<u>\$ 28,009,590</u>

NOTE 5 — INVESTMENTS

Investments consist of the following:

	December 31,	
	2022	2021
Mutual Funds		
Dimensional Fund Advisors (DFA) Short-Duration Real	\$ 2,690,864	\$ -
Vanguard Core Bond Fund Admiral Shares	5,010,555	-
Vanguard Total Stock Market	3,254,799	3,691,987
DFA Five Year Global Fixed	-	3,160,903
Vanguard Short-Term Investment Grade	-	7,442,145
All other mutual funds	<u>7,484,600</u>	<u>4,973,429</u>
	18,440,818	19,268,464
Money Market Funds	<u>1,370,222</u>	<u>869,014</u>
	19,811,040	20,137,478
Less Short-Term Investments	<u>1,370,222</u>	<u>869,014</u>
	<u>\$ 18,440,818</u>	<u>\$ 19,268,464</u>

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 (With Comparative Totals for 2021)

NOTE 5 — INVESTMENTS (Continued)

Investments are classified as follows:

	December 31,	
	<u>2022</u>	<u>2021</u>
Those With Donor Restrictions		
Specified purposes	\$ 1,214,344	\$ 3,881,568
Endowment funds	<u>7,135,340</u>	<u>6,269,687</u>
	8,349,684	10,151,255
Those Without Donor Restrictions	<u>11,461,356</u>	<u>9,986,223</u>
	<u>\$ 19,811,040</u>	<u>\$ 20,137,478</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, 2022 and 2021.

- *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:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>	<u>Fair Value</u>
	<u>December 31, 2022</u>				<u>December 31,</u>
					<u>2021</u>
<i>Assets-Investments</i>					
Mutual funds					
Equities	\$ 8,102,700	\$ -	\$ -	\$ 8,102,700	\$ 8,685,416
Fixed income	<u>10,338,118</u>	<u>-</u>	<u>-</u>	<u>10,338,118</u>	<u>10,583,048</u>
	18,440,818	-	-	18,440,818	19,268,464
Money market funds	<u>1,370,222</u>	<u>-</u>	<u>-</u>	<u>1,370,222</u>	<u>869,014</u>
2022 Totals	<u>\$ 19,811,040</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,811,040</u>	
2021 Totals	<u>\$ 20,137,478</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,137,478</u>
<i>Assets-Restricted Funds</i>					
2022	<u>\$ 102,783</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 102,783</u>	
2021	<u>\$ 125,667</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ 125,667</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,	
	2022	2021
Leasehold Improvements	\$ 47,888	\$ 47,888
Equipment	163,275	162,759
Software Implementation in Progress	-	49,064
Furniture and Fixtures	<u>50,046</u>	<u>50,046</u>
	261,209	309,757
Less Accumulated Depreciation	<u>133,044</u>	<u>170,964</u>
	<u>\$ 128,165</u>	<u>\$ 138,793</u>

Depreciation expense for the years ended December 31, 2022 and 2021 was \$26,455 and \$22,592, 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.

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NOTES TO FINANCIAL STATEMENTS
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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,	
	2022	2021
Subject to Expenditure for Specified Purpose		
Other program restrictions		
Advising	\$ 18,552	\$ 94,076
Advocacy	151,623	107,587
Grants	3,352,010	3,361,404
Loans	1,730,000	1,530,000
Miscellaneous	13,519	10,047
Program	<u>74,000</u>	<u>76,000</u>
	5,339,704	5,179,114
Deedee Becker Fund - loans to nursing students (*)	<u>1,319,584</u>	<u>1,334,564</u>
	<u>6,659,288</u>	<u>6,513,678</u>
Subject to the Passage of Time	<u>73,848</u>	<u>119,318</u>
Endowment Funds (Note 10)		
Subject to the Foundation's spending policy and appropriation		
12 separate funds	2,487,282	2,336,832
Earnings allocated to the Deedee Becker Fund		
1 separate fund	<u>1,993,442</u>	<u>1,993,442</u>
	4,480,724	4,330,274
Accumulated investment gains	<u>864,781</u>	<u>1,747,497</u>
	<u>5,345,505</u>	<u>6,077,771</u>
	<u>\$ 12,078,641</u>	<u>\$ 12,710,767</u>

* Includes net student loan receivables of \$679,099 and \$712,682 as of December 31, 2022 and 2021, 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, 2022:

Purpose Restrictions	\$ 2,108,640
Time Restrictions	101,935
Endowment Appropriations	<u>178,382</u>
Total restrictions released	<u>\$ 2,388,957</u>

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS
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NOTE 10 — ENDOWMENT

The Foundation's endowment consists of twelve 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 endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

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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NOTES TO FINANCIAL STATEMENTS
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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 a percentage of the endowment funds' historical cost. The spending rate is determined based on market conditions, endowment valuation, and total return (using both income and net capital appreciation) for the prior 12 quarters. 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. During the years ended December 31, 2022 and 2021, the spend formula was based on 4.5% of the historical cost.

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

	December 31,	
	2022	2021
Donor Restricted Funds - Managed by the Foundation		
Original donor restricted gift amount	\$ 4,480,724	\$ 4,330,274
Accumulated investment gains	864,781	1,747,497
	<u>\$ 5,345,505</u>	<u>\$ 6,077,771</u>

Changes in endowment net assets are as follows:

	As of and for the Years Ended December 31,	
	2022	2021
Endowment Net Assets		
Beginning of year	\$ 6,077,771	\$ 5,167,668
Gifts	150,450	314,835
Interest and dividends	170,057	100,069
Gains (losses) on investments	(863,052)	664,220
Investment advisory fees	(11,339)	(12,526)
Appropriated for expenditure based on spending rate policy	(178,382)	(156,495)
End of year	<u>\$ 5,345,505</u>	<u>\$ 6,077,771</u>

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NOTE 11 — LEASES

The Foundation has operating leases for offices, equipment, and copiers. The Foundation's leases have remaining lease terms that range from less than one year to leases that mature through 2027 and contain provisions to renew the leases for additional terms of one to five years.

The components of lease costs are as follows:

	Years Ending December 31,	
	2022	2021
Operating lease expense	\$ 173,234	\$ 171,941
Short-term lease expense	1,776	N/A
Variable lease expense	3,937	N/A
	<u>\$ 178,947</u>	<u>\$ 171,941</u>

The weighted average remaining lease term of third party operating leases as of December 31, 2022 was 4.37. The weighted average discount rate of third party operating leases as of December 31, 2022 was 1.37%.

Minimum future lease payments under operating leases described above as of December 31 are as follows:

Year Ending December 31,	
2023	\$ 171,239
2024	167,919
2025	158,549
2026	160,016
2027	80,564
Thereafter	-
Total undiscounted cash flows	<u>738,287</u>
Less: present value discount	<u>22,692</u>
Total lease liabilities	<u>\$ 715,595</u>

Rent expense for ongoing operations, including common area maintenance, was \$153,566 and \$152,267 for the years ended December 31, 2022 and 2021, respectively, and is included in occupancy in the functional expense allocation.

Equipment rental expense was \$19,668 and \$19,674 for the years ended December 31, 2022 and 2021, respectively, and is included in occupancy in the functional expense allocation.

THE SCHOLARSHIP FOUNDATION OF ST. LOUIS
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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. The match is 50% of employee contributions up to 6% of salary. The Foundation contributed a total of \$29,318 and \$17,615 to the plan for the years ended December 31, 2022 and 2021, respectively.

NOTE 13 — MAJOR PUBLIC SUPPORT

The Foundation received \$1,214,400 from one donor and \$3,175,200 from two donors of its gifts and grants representing 21% and 46% during the years ended December 31, 2022 and 2021, 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 following student loans and grant awards:

<u>Year Ending December 31.</u>	<u>Student Loans</u>	<u>Grant Awards</u>
2023	\$ 1,700,000	\$ 4,976,000
2024	<u>1,700,000</u>	<u>4,943,900</u>
	<u>\$ 3,400,000</u>	<u>\$ 9,919,900</u>

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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)	
	2022					2021
	Program Services	Supporting Services Management and General	Fund Raising	Total		
<u>Functional Expenses - Financial Reporting</u>						
Compensation, Including Payroll						
Taxes and Employee Benefits	\$ 959,434	\$ 291,217	\$ 319,378	\$ 1,570,029	\$ 1,389,836	
Collection Fees	112,364	-	-	112,364	68,010	
Community Programs	41,849	-	-	41,849	71,176	
Information Technology	78,472	24,560	26,663	129,695	113,403	
Meetings and Conferences	48,625	3,866	5,218	57,709	35,744	
Occupancy	111,961	33,692	37,270	182,923	173,324	
Other Items	84,259	40,782	43,037	173,078	152,124	
Professional Fees	41,778	113,605	2,651	153,034	102,388	
Provision for Uncollectible Loans	1,544,721	-	-	1,544,721	1,442,967	
Grants - Forgone Interest Not						
Charged on Student Loans #	1,218,737	-	-	1,218,737	1,353,731	
Grants Awarded	<u>3,666,615</u>	<u>-</u>	<u>-</u>	<u>3,666,615</u>	<u>2,775,971</u>	
TOTAL EXPENSES – 2022	<u>\$ 7,908,815</u>	<u>\$ 507,722</u>	<u>\$ 434,217</u>	<u>\$ 8,850,754</u>		
TOTAL EXPENSES - 2021	<u>\$ 6,986,534</u>	<u>\$ 237,364</u>	<u>\$ 454,776</u>		<u>\$ 7,678,674</u>	
<u>Functional Expenses – Income Tax Reporting (IRS Form 990)</u>						
Expenses Per Financial Reporting	\$ 7,908,815	\$ 507,722	\$ 434,217	\$ 8,850,754	\$ 7,678,674	
Grants - Loans Made to Students	1,375,390	-	-	1,375,390	1,931,185	
Investment Advisory Fees						
(Included in Revenues)	-	39,517	-	39,517	38,092	
Grants - Forgone Interest Not						
Charged on Student Loans #	<u>(1,218,737)</u>	<u>-</u>	<u>-</u>	<u>(1,218,737)</u>	<u>(1,353,731)</u>	
TOTAL EXPENSES - 2022	<u>\$ 8,065,468</u>	<u>\$ 547,239</u>	<u>\$ 434,217</u>	<u>\$ 9,046,924</u>		
PERCENTAGE - 2022	<u>89.2%</u>	<u>6.0%</u>	<u>4.8%</u>	<u>100.0%</u>		
TOTAL EXPENSES - 2021	<u>\$ 7,563,988</u>	<u>\$ 275,456</u>	<u>\$ 454,766</u>		<u>\$ 8,294,220</u>	
PERCENTAGE - 2021	<u>91.2%</u>	<u>3.3%</u>	<u>5.5%</u>		<u>100.0%</u>	

Refer to Note 1 on page 10.