

ST. LOUIS COMMUNITY FOUNDATION
COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

**ST. LOUIS COMMUNITY FOUNDATION
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YEARS ENDED DECEMBER 31, 2018 AND 2017**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
St. Louis Community Foundation
St. Louis, Missouri

Report on the Financial Statements

We have audited the accompanying combined financial statements of the St. Louis Community Foundation, which comprise the combined statements of financial position as of December 31, 2018 and 2017, and the related combined statements of activities and cash flows for the years ended December 31, 2018 and 2017, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
St. Louis Community Foundation

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the St. Louis Community Foundation as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years ended December 31, 2018 and 2017 in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

St. Louis, Missouri
August 27, 2019

**ST. LOUIS COMMUNITY FOUNDATION
COMBINED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017**

ASSETS	2018	2017
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 46,276,148	\$ 36,988,427
Investments	408,283,032	461,580,805
Accounts and Interest Receivable	270,216	322,241
Unconditional Promises to Give, Net	399,013	189,836
Contributions Receivable - Charitable Lead Trusts	58,857	56,128
Prepaid Expenses	82,943	193,228
Total Current Assets	455,370,209	499,330,665
PROPERTY AND EQUIPMENT, NET	1,447,790	1,463,239
UNCONDITIONAL PROMISES TO GIVE - LONG-TERM, NET	946,340	113,810
CONTRIBUTIONS RECEIVABLE - CHARITABLE LEAD TRUSTS - LONG-TERM	457,083	515,940
Total Assets	\$ 458,221,422	\$ 501,423,654
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 551,419	\$ 782,083
Gift Annuity Obligations	173,894	173,894
Grants Payable	12,973,970	11,680,517
Total Current Liabilities	13,699,283	12,636,494
GIFT ANNUITY OBLIGATIONS - LONG-TERM	579,409	613,552
GRANTS PAYABLE - LONG-TERM	16,371,833	17,855,484
Total Liabilities	30,650,525	31,105,530
NET ASSETS		
Without Donor Restrictions	427,054,957	469,746,056
With Donor Restrictions	515,940	572,068
Total Net Assets	427,570,897	470,318,124
Total Liabilities and Net Assets	\$ 458,221,422	\$ 501,423,654

See accompanying Notes to Combined Financial Statements.

**ST. LOUIS COMMUNITY FOUNDATION
COMBINED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018**

	Year Ended December 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions	\$ 65,903,815	\$ -	\$ 65,903,815
Investment Income	10,549,865	-	10,549,865
Change in Value of Split-Interest			
Agreements - Charitable Lead Trusts	-	24,947	24,947
Change in Value of Split-Interest			
Agreements - Annuity Payables	(139,751)	-	(139,751)
Fees and Other Revenues	364,066	-	364,066
Net Losses on Investments	(28,595,393)	-	(28,595,393)
Net Assets Released from Restrictions	81,075	(81,075)	-
Total Revenues, Gains, and Other Support	<u>48,163,677</u>	<u>(56,128)</u>	<u>48,107,549</u>
EXPENSES			
Program	90,028,118	-	90,028,118
Management and General	778,700	-	778,700
Fundraising	47,958	-	47,958
Total Expenses	<u>90,854,776</u>	<u>-</u>	<u>90,854,776</u>
CHANGE IN NET ASSETS	(42,691,099)	(56,128)	(42,747,227)
Net Assets - Beginning of Year	<u>469,746,056</u>	<u>572,068</u>	<u>470,318,124</u>
NET ASSETS - END OF YEAR	<u>\$ 427,054,957</u>	<u>\$ 515,940</u>	<u>\$ 427,570,897</u>

See accompanying Notes to Combined Financial Statements.

**ST. LOUIS COMMUNITY FOUNDATION
COMBINED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017**

	Year Ended December 31, 2017		
	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions	\$ 175,164,533	\$ -	\$ 175,164,533
Investment Income	8,681,304	-	8,681,304
Change in Value of Split-Interest			
Agreements - Charitable Lead Trusts	-	27,541	27,541
Change in Value of Split-Interest			
Agreements - Annuity Payables	(138,342)	-	(138,342)
Fees and Other Revenues	372,952	-	372,952
Net Gains on Investments	39,782,452	-	39,782,452
Net Assets Released from Restrictions	81,076	(81,076)	-
Total Revenues, Gains, and Other Support	<u>223,943,975</u>	<u>(53,535)</u>	<u>223,890,440</u>
EXPENSES			
Program	80,145,196	-	80,145,196
Management and General	445,958	-	445,958
Fundraising	53,348	-	53,348
Total Expenses	<u>80,644,502</u>	<u>-</u>	<u>80,644,502</u>
CHANGE IN NET ASSETS	143,299,473	(53,535)	143,245,938
Net Assets - Beginning of Year	<u>326,446,583</u>	<u>625,603</u>	<u>327,072,186</u>
NET ASSETS - END OF YEAR	<u>\$ 469,746,056</u>	<u>\$ 572,068</u>	<u>\$ 470,318,124</u>

See accompanying Notes to Combined Financial Statements.

**ST. LOUIS COMMUNITY FOUNDATION
COMBINED STATEMENTS OF CASH FLOWS
DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Contributions	\$ 37,972,395	\$ 26,126,998
Cash Paid to Gift Annuitants	(148,947)	(229,100)
Cash Received from Fees and Other Revenues	332,066	345,552
Cash Paid for Charitable Grants	(85,602,664)	(65,772,610)
Cash Paid to Trustees, Suppliers, Employees, and Service Providers	(6,993,283)	(3,776,884)
Interest and Dividends Received	10,549,865	8,681,304
Net Cash Used by Operating Activities	<u>(43,890,568)</u>	<u>(34,624,740)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(49,455,816)	(34,206,254)
Sales of Investments	102,727,126	69,960,670
Purchase of Property and Equipment	(93,021)	(58,909)
Net Cash Provided by Investing Activities	<u>53,178,289</u>	<u>35,695,507</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	9,287,721	1,070,767
Cash and Cash Equivalents - Beginning of Period	<u>36,988,427</u>	<u>35,917,660</u>
CASH AND CASH EQUIVALENTS - END OF PERIOD	<u>\$ 46,276,148</u>	<u>\$ 36,988,427</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES		
Change in Net Assets	\$ (42,747,227)	\$ 143,245,938
Contributed Investments	(28,568,931)	(150,989,511)
Net (Gains)/Losses on Investments	28,595,393	(39,782,452)
Depreciation and Amortization	108,470	93,134
Change in Value of Split-Interest Agreements - Charitable Lead Trusts	(24,947)	(27,541)
Change in Value of Split-Interest Agreements - Annuity Payables	139,751	138,342
(Increase) Decrease in Assets:		
Prepaid Expenses	110,285	(89,992)
Accounts and Interest Receivable	52,025	303,764
Contributions Receivable - Charitable Lead Trusts	81,075	81,076
Unconditional Promises to Give	(1,041,707)	244,750
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	(230,663)	529,254
Gift Annuity Obligations	(173,894)	(256,640)
Grants Payable	(190,198)	11,885,138
Net Cash Used by Operating Activities	<u>\$ (43,890,568)</u>	<u>\$ (34,624,740)</u>

See accompanying Notes to Combined Financial Statements.

**ST. LOUIS COMMUNITY FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The St. Louis Community Foundation (the Foundation) is a tax-exempt, nonprofit, autonomous, publicly supported, nonsectarian philanthropic institution established in 1915. The Foundation is dedicated to improving the quality of life throughout the metropolitan St. Louis region by helping individuals, families, and businesses make a difference through charitable giving. The Foundation represents thousands of donors through hundreds of separate component funds supporting a broad range of community interests.

Combined Statement Presentation

The combined financial statements include the accounts of the St. Louis Community Foundation (the Trust), the St. Louis Community Foundation, Inc. (the Corporation), the St. Louis Real Estate Foundation (the Real Estate), and the Alberici Foundation (the Alberici). The Corporation is a publicly supported charity as described by IRC Section 509(a)(1) whose directors also serve as the governing body for the Trust. The Real Estate and Alberici entities are separate corporations with separate boards of directors. The Corporation is the sole member of Alberici and as such maintains significant control over Alberici's board, its governing documents, and certain aspects of its operations, in particular, approving certain financial transactions, acceptance of certain gifts, and any modifications to its governing documents. All assets of the Corporation, the Real Estate, and the Alberici entities are administratively managed by the Trust. The Real Estate entity had no activity during the years ended December 31, 2018 and 2017.

Significant intercompany transactions have been eliminated in these combined financial statements.

Total contributions by entity are as follows for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Corporation Entity	\$ 59,122,416	\$ 168,951,951
Trust Entity	5,531,399	5,023,962
Alberici Foundation	1,250,000	1,188,620
Total	<u>\$ 65,903,815</u>	<u>\$ 175,164,533</u>

Basis of Accounting

The accompanying combined financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

**ST. LOUIS COMMUNITY FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

Under the accounting standards set forth by the Financial Accounting Standards Board, the Foundation is required to report contributions received as without donor restriction or with donor restriction, depending on the existence of any donor restrictions. In addition, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction. Net assets with donor restriction are for the support of specific operating activities. At present, the Foundation has no net assets with donor restriction in perpetuity.

The Foundation maintains its internal accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure whereby resources with various restrictions as to expendability or user purpose are classified for accounting purposes in accordance with activities or objectives specified by donors.

These combined financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the Foundation as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. As stated in the Foundation's gift instrument agreements, the Foundation's board of directors, in furtherance of the purposes of the Foundation, has the ultimate authority and control over all property gifted to them and the related income derived therefrom. Such authority includes the ability to remove a donor restriction.

Accordingly, the accompanying combined financial statements classify all net assets (fund balances) as net assets without donor restriction except for certain contributions received under charitable lead trust agreements as more fully described under Note 4. However, to assist with the classification of resources in accordance with the activities or objectives specified by donors, the following categories of net assets without donor restriction are used by the Foundation:

Designated – Contributions whereby donors are able to designate a specific organization to be the recipient of the income generated from these funds. However, the Foundation retains the authority to rescind a donor's designation if the charitable organization is no longer operating in an efficient manner, is no longer operating within the tax-exempt purpose for which it was established, or is no longer in existence.

Donor Advised – Contributions that are subject to donor recommendations regarding the particular organizations and projects that are to receive grants from these funds. The donor recommendations are solely advisory and the Foundation's board of directors is not bound by such recommendations.

Field of Interest – Contributions whereby the donors are able to channel their resources into broad areas of interest, e.g., arts, education, health care, work with the elderly, or youth services. The Foundation's board of directors uses these resources to make grants to programs or organizations that are most likely to achieve positive results for that area of interest.

**ST. LOUIS COMMUNITY FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Scholarship – Contributions whereby donors may name the scholarship, designate a particular field of study, designate a specific educational institution or program, and select eligibility requirements. Scholarship funds may be established to benefit any level of education from preschool to postgraduate studies and vocational training.

Discretionary – Contributions not having donor-imposed recommendations that are used to respond to changing community needs as determined by the Foundation's board of directors.

Supporting Organization – Contributions to an independent foundation legally affiliated with the Foundation. The supporting organization has its own board, grant-making program, and investment structure.

Operating – Used in connection with administrative services provided by the Foundation.

Temporarily Restricted Fund – Holds certain beneficial interests in the underlying assets of certain charitable lead trusts.

All transfers made between funds are authorized by the board.

Estimates and Assumptions

The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Credit Risk

The Foundation maintains its cash-in-bank deposit accounts at various financial institutions. The balances at times may exceed federally insured limits. Also, the Foundation's investments are subject to the inherent risks associated with the securities market.

Concentrations

During the years ended December 31, 2018 and 2017, the Foundation received approximately 12% and 62% of its total contribution revenue from one individual donor, respectively.

Cash and Cash Equivalents

Cash and cash equivalents represent cash in banks, money market funds, certificate of deposits, and similar short-term investment vehicles. The Foundation considers investment vehicles not intended to be held for long-term investment purposes to be cash equivalents. The majority of the Foundation's cash is maintained in uninsured money market accounts.

**ST. LOUIS COMMUNITY FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

The Foundation maintains its investment portfolio with over 20 financial institutions. An investment committee monitors the performance of these institutions and reports quarterly to the board of directors. An external investment consultant is engaged to independently report to the investment committee the investment returns on a quarterly basis.

Investments in mutual funds, equities, and fixed income securities are carried at fair value based upon quoted market prices on established exchanges. Cash and cash equivalents are carried at cost which approximates fair value. Investment in limited partnership consists of a single partnership that holds assets comprised of marketable debt and equity securities. The Foundation's prorata limited partner share equals 99% of the partnership's holdings and is valued at quoted market prices. Other investments consist of notes receivable, private investment funds, ownership interest in a limited partnership, ownership interest in a limited liability corporation, and other miscellaneous holdings, and are carried at estimated fair value or cost.

Net changes in fair value of investments and realized gains and losses on investments disposed are reported in the combined statements of activities as net gains or losses on investments. Both the purchase and sale of investments are recorded effective on the trade date.

Donated securities are recorded at their fair value at the date of donation.

In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the combined statements of financial position.

Accounts and Interest Receivable and Unconditional Promises to Give

Accounts receivable consists of consulting fees and accrued interest. Unconditional promises to give consist of nonoperating pledge donations from individuals. Unconditional promises to give are recognized as revenues in the period the promises are received. Accounts receivable and unconditional promises to give are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with customers and donors having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial. Unconditional promises to give are recorded net of an allowance for doubtful accounts of \$22,387 as of December 31, 2018 and 2017. Management has deemed that no allowance is necessary for accounts receivable as of December 31, 2018 and 2017.

**ST. LOUIS COMMUNITY FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions Receivable – Charitable Lead Trusts

The Foundation recognizes its beneficial interest in the underlying assets of these split-interest agreements as net assets with donor restriction. The initial transaction to recognize a new charitable lead trust is to record both a receivable and contribution revenue measured by the present value of the future cash flows. Distributions from the trusts and collected by the Foundation are reported both as reductions in the receivable and as reclassifications from net assets with donor restriction to net assets without donor restriction.

Amortization of the initial discount is recognized as payments are received by adjusting the receivable and recording as revenue the net change in the value of the split-interest agreement as is presented under the net asset with donor restriction class in the combined statements of activities.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation. Policy is to capitalize amounts over \$1,000. Maintenance and repairs are charged to expense as incurred. When property and equipment are sold or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts and any profit or loss arising from such disposition is included as an increase (or decrease) in net assets without donor restriction in the year disposed. The assets are depreciated over periods ranging from five to seven years, using the straight-line method. Significant additions to leasehold improvements will be depreciated over the life of the related lease term which is 25 years, using the straight-line method.

Long-Lived Assets

The Foundation's management reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

Contributions

Contributions are recognized as revenues in the period received. Conditional promises to give, which depend upon specified future and uncertain events, are recognized as revenue in the periods when the conditions upon which they depend are substantially met. The Foundation does not have any conditional promises to give as of December 31, 2018 and 2017.

**ST. LOUIS COMMUNITY FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Gift Annuity Obligations

The Foundation is the beneficiary of several gift annuity agreements. Annuity agreements represent the present value of future annuities payable to the annuitants as of December 31, 2018 and 2017, as determined by the terms of the annuity agreement and present value factors provided by the Internal Revenue Service (IRS). The gift portion of the annuity agreement is calculated using methods and rates provided by the IRS and is recognized upon receipt. Discount rates range between 2% and 6.2% based on the year the gift was received.

Upon the donor's death, the excess, if any, of the initial gift received from the donor, plus investment earnings thereon, over the cumulative distributions paid to the donor, will be either expended as a grant or held as an endowment with the investment earnings distributed as stipulated by the gift annuity contract.

Intra-Fund Loan

The board periodically approves investing a limited amount of pooled investment resources from the discretionary fund into the operating fund under an intra-fund working capital loan agreement. The purpose for these transactions is to bridge any shortfalls in cash flows, which may occur within the operating fund, as a result of market valuation losses. Such losses erode the asset base upon which the Foundation earns its fees necessary to effectively administer all of the component funds. Because both the operating fund and the discretionary fund are classified as "without donor restriction" under accounting principles generally accepted in the United States of America, the intra-fund lending activities have no effect on the overall net assets without donor restriction (fund balances).

Any working capital loan would use an interest rate based on short-term treasury rates at the time the loan was authorized by the board. During the year ended March 31, 2016, a new intra-fund loan was entered into to finance leasehold improvements for the Foundation's new office space. The balance of the loan was \$620,373 and \$671,448 at December 31, 2018 and 2017, respectively. Interest charged on the loan amounted to \$16,258 and \$19,278 for the years ended December 31, 2018 and 2017, respectively. The related interest and loan balance are eliminated for combined financial purposes.

Grants for Charitable Purposes

Grants for charitable purposes are expensed in the period that they are approved by the board of directors.

Income Taxes

All four entities — the Trust, the Corporation, the Real Estate entity, and the Alberici Foundation — are exempt from federal income taxes under Section 501(a) by reason of being an organization described in Section 501(c)(3) of the Internal Revenue Code (the Code).

**ST. LOUIS COMMUNITY FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly. As such, in accordance with the Accounting Standards Update The Foundation has elected to present only one year of liquidity.

Allocation of Functional Expenses

Expenses are allocated by functional expense between program, fundraising, and general and administrative services, based on management's estimates. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation.

Fair Value Measurements

The Foundation follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the Foundation has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets. Level 1 includes various common stocks, preferred stocks, mutual funds, hedge funds, corporate bonds, and U.S. Treasury obligations.

Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly, for substantially the full term through corroboration with observable market data. Level 2 includes private collateralized mortgage obligations, municipal bonds, corporate bonds, hedge funds, various common stock and mutual funds, investment in a limited liability partnership, contributions receivable - charitable lead trusts, and gift annuity obligations.

**ST. LOUIS COMMUNITY FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset.

Reclassifications

Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation. The reclassifications had no effect on previously reported net assets or changes in net assets.

NOTE 2 INVESTMENTS

Investments consist of the following at December 31:

	2018	
	Fair Value	Percent
Common Stock	\$ 64,149,096	15.7 %
Mutual Funds	131,992,359	32.4
Corporate Bonds	86,177,047	21.1
U.S. Government Obligations	96,119,867	23.5
Hedge Funds or Other	25,196,598	6.2
Investment in Limited Partnership	167,065	0.0
Investment in Limited Liability Companies	4,481,000	1.1
Total	\$ 408,283,032	100.0

	2017	
	Fair Value	Percent
Common Stock	\$ 74,558,454	16.2 %
Mutual Funds	147,667,373	32.0
Corporate Bonds	85,839,132	18.6
U.S. Government Obligations	119,552,148	25.8
Hedge Funds or Other	28,789,364	6.2
Investment in Limited Partnership	231,752	0.1
Investment in Limited Liability Companies	4,942,582	1.1
Total	\$ 461,580,805	100.0

Investments are carried at fair value or cost in accordance with accounting principles generally accepted in the United States of America. For the years ended December 31, 2018 and 2017, unrealized gains (losses) of \$(28,875,984), and \$34,672,763 respectively, were recorded to adjust the investments to fair value.

**ST. LOUIS COMMUNITY FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 2 INVESTMENTS (CONTINUED)

Investment in Limited Partnership

The investment in limited partnership consists of a single partnership that holds assets comprised of marketable debt and equity securities valued based on unadjusted quoted market prices within active markets. The Foundation's prorata share of these underlying marketable securities consists of the following at December 31:

	<u>2018</u>	<u>2017</u>
	Fair Value	Fair Value
Equity Holdings	\$ 109,175	\$ 144,193
Fixed Income Securities	57,890	87,559
Total	<u>\$ 167,065</u>	<u>\$ 231,752</u>

The limited partnership also holds cash and cash equivalents totaling \$21,260 and \$15,226 as of December 31, 2018 and 2017, respectively, and is included within the Foundation's total cash and cash equivalents as reported on the combined statements of financial position.

Investment in Private Companies

As of December 31, 2018, the Foundation had five separate equity interests in limited liability companies with a total value of \$4,481,000. As of December 31, 2017, the Foundation had four separate equity interests in limited liability companies with a total value of \$4,942,582. The value of the equity interests was derived from independent appraisals, subsequent sales values, original carrying cost, or company financial statements.

Private Investment Funds

Included under investments above are investments in various private investments, whose aggregate carrying values at December 31, 2018 and 2017 totaled \$25,196,598 and \$28,789,364, respectively. These investments provide the means for the fund manager to, for example, take both long and short positions, use arbitrage, buy and sell undervalued securities, trade options or bonds, and engage in other investment activities for the purpose of reducing volatility and risk while attempting to preserve capital and provide positive investment returns under all market conditions. At December 31, 2018 and 2017, the Foundation's holdings in hedge funds total approximately 6.2% of the total carrying value of all investments.

**ST. LOUIS COMMUNITY FOUNDATION
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NOTE 3 UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are expected to be collected in the following period at December 31:

	<u>2018</u>	<u>2017</u>
Pledges Due in Less Than One Year	\$ 421,400	\$ 212,223
Pledges Due in One to Five Years	957,030	124,500
Total Pledges	1,378,430	336,723
Allowance for Uncollectible Pledges	(22,387)	(22,387)
Discount to Record Promises to Give at Present Value	(10,690)	(10,690)
Total	<u>\$ 1,345,353</u>	<u>\$ 303,646</u>

A discount rate of 2% was used to record unconditional promises to give at the present value of the future cash flows at December 31, 2018 and 2017.

NOTE 4 CONTRIBUTIONS RECEIVABLE – CHARITABLE LEAD TRUSTS

The following is a schedule of the gross minimum payments to be received from charitable lead trusts at December 31, 2018:

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 81,075
2020	81,075
2021	81,075
2022	81,075
2023	81,075
Thereafter	217,525
Total	<u>622,900</u>
Discount to Record Charitable Lead Trusts at Present Value	(106,960)
Total	<u>\$ 515,940</u>

Discount rates ranging from 3.25% to 5.75% were used to record contributions receivable under charitable lead trusts at the present value of the future cash flows at December 31, 2018 and 2017.

**ST. LOUIS COMMUNITY FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
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NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	<u>2018</u>	<u>2017</u>
Leasehold Improvements	\$ 1,367,758	\$ 1,335,664
Computers	471,476	440,725
Office Furniture and Equipment	205,829	175,654
Total	<u>2,045,063</u>	<u>1,952,043</u>
Less: Accumulated Depreciation	<u>(597,273)</u>	<u>(488,804)</u>
Total	<u><u>\$ 1,447,790</u></u>	<u><u>\$ 1,463,239</u></u>

NOTE 6 GRANTS PAYABLE

Grants payable by fund are as follows at December 31:

	<u>2018</u>	<u>2017</u>
Donor Advised	\$ 27,306,027	\$ 29,198,000
Supporting Organization	1,844,075	281,000
Field of Interest	195,701	57,001
Total Grants Payable	<u><u>\$ 29,345,803</u></u>	<u><u>\$ 29,536,001</u></u>

Grants authorized but unpaid at year-end are reported as liabilities. Management has evaluated grants payable and determined that recording a discount for grants to be paid in more than one year would be immaterial to the financial statements as a whole. The following is a summary of grants authorized and payable at December 31, 2018:

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 12,973,970
2020	8,644,333
2021	5,909,000
2022	1,268,500
2023	550,000
Total	<u><u>\$ 29,345,803</u></u>

**ST. LOUIS COMMUNITY FOUNDATION
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NOTE 7 FAIR VALUE MEASUREMENT AND NET ASSET VALUE

The Foundation uses fair value measurement to record fair value adjustments to certain financial assets and financial liabilities that are measured on a recurring basis. The fair values of significant financial assets and liabilities that are measured on a recurring basis at December 31, 2018 are as follows:

	Total at Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Common Stock	\$ 64,149,096	\$ 64,149,096	\$ -	\$ -
Mutual Funds	131,992,359	131,992,359	-	-
Corporate Bonds	86,177,047	86,177,047	-	-
U.S. Government Obligations	96,119,867	96,119,867	-	-
Hedge Funds	18,846,724	18,846,724	-	-
Investment in Limited Partnership	167,065	-	167,065	-
Investment in Limited Liability Companies	2,748,889	-	-	2,748,889
Total	<u>400,201,047</u>	<u>\$ 397,285,093</u>	<u>\$ 167,065</u>	<u>\$ 2,748,889</u>
Investments Held at Net Asset Value or its Equivalent	6,349,874			
Closely Held Shares Held at Cost	1,732,111			
Total Investments	<u>\$ 408,283,032</u>			
Contributions Receivable - Charitable Lead Trusts	<u>\$ 515,940</u>	<u>\$ -</u>	<u>\$ 515,940</u>	<u>\$ -</u>
Gift Annuity Obligations	<u>\$ (753,303)</u>	<u>\$ -</u>	<u>\$ (753,303)</u>	<u>\$ -</u>

**ST. LOUIS COMMUNITY FOUNDATION
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NOTE 7 FAIR VALUE MEASUREMENT AND NET ASSET VALUE (CONTINUED)

The fair values of significant financial assets and liabilities that are measured on a recurring basis at December 31, 2017 are as follows:

	Total at Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Common Stock	\$ 74,558,454	\$ 74,558,454	\$ -	\$ -
Mutual Funds	147,667,373	147,667,373	-	-
Corporate Bonds	85,839,132	85,839,132	-	-
U.S. Government Obligations	119,552,148	119,552,148	-	-
Hedge Funds	23,164,220	23,164,220	-	-
Investment in Limited Partnership	231,752	-	231,752	-
Investment in Limited Liability Companies	2,442,582	-	-	2,442,582
Total	<u>\$ 453,455,661</u>	<u>\$ 450,781,327</u>	<u>\$ 231,752</u>	<u>\$ 2,442,582</u>
Investments Held at Net Asset Value or its Equivalent	5,625,144			
Closely Held Shares Held at Cost	2,500,000			
Total Investments	<u>\$ 461,580,805</u>			
Contributions Receivable - Charitable Lead Trusts	<u>\$ 572,068</u>	<u>\$ -</u>	<u>\$ 572,068</u>	<u>\$ -</u>
Gift Annuity Obligations	<u>\$ (787,446)</u>	<u>\$ -</u>	<u>\$ (787,446)</u>	<u>\$ -</u>

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets and financial liabilities valued using Level 2 inputs are based on inputs other than quoted prices (interest rates) that are observable for the financial asset or liability. Financial assets valued using Level 3 inputs are based on unobservable inputs for the asset or liability used to measure fair value that rely on the reporting entity's own assumptions based on the best information available under the circumstances. Inputs under fair value measurement guidance refer broadly to the assumptions that market participants would use in pricing the asset or liability.

The amount of total gains (losses) for the period is included in changes in net assets within the combined statements of activities. All assets have been valued using a market approach. There have been no changes in valuation approaches or techniques.

**ST. LOUIS COMMUNITY FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 7 FAIR VALUE MEASUREMENT AND NET ASSET VALUE (CONTINUED)

Investments using Level 3 inputs are as follows:

	<u>Investments in LLCs</u>
December 31, 2016	\$ -
Purchases/Contributions	<u>2,442,582</u>
December 31, 2017	2,442,582
Total Gains	5,974
Purchases/Contributions	310,298
Sales	<u>(9,965)</u>
December 31, 2018	<u><u>\$ 2,748,889</u></u>

Investments in certain entities that calculate net asset value per share (or its equivalent) as of December 31, 2018 and 2017, that have limits as to redemption frequency or notification period are as follows:

	<u>2018 Net Asset Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If Currently Eligible)</u>	<u>Redemption Notice Period</u>
Hedge Funds	\$ 801,269	None	In Liquidation as Available	In Liquidation
Hedge Funds	\$ 4,654,140	None	At the Fund's Discretion	n/a
Social Impact Investment	\$ 894,465	\$ 1,020,047	Illiquid	n/a
	<u>2017 Net Asset Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If Currently Eligible)</u>	<u>Redemption Notice Period</u>
Hedge Funds	\$ 847,078	None	In Liquidation as Available	In Liquidation
Hedge Funds	\$ 4,240,939	None	At the Fund's Discretion	n/a
Social Impact Investment	\$ 537,127	\$ 1,367,599	Illiquid	n/a

**ST. LOUIS COMMUNITY FOUNDATION
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NOTE 7 FAIR VALUE MEASUREMENT AND NET ASSET VALUE (CONTINUED)

Fair value measurement policy includes:

Common stock and mutual funds are invested in domestic and international companies. These assets provide full disclosure of the underlying holdings and are valued using fair value methods that have quoted values observable on a daily basis.

Corporate bonds and U.S. government bonds are valued daily using fair value market methods and are observable daily. These assets provide full disclosure of the underlying holdings whereby the Foundation is able to verify its account balances daily if necessary.

Hedge funds are invested in a diverse portfolio of long/short funds, event-driven funds, turnaround situation funds, and other strategies. These are valued utilizing observable fair market methods available on a daily basis along with unobservable inputs used to determine the fair value, in which case the valuation used is the most current data available estimated at our fiscal year-end or may be based on their net asset value.

Investment in limited partnership consists of investments in domestic and international companies, as well as corporate and government bond funds. These assets provide full disclosure of the underlying holdings and are valued using fair value methods that have quoted values observable on a daily basis.

Social impact investments consist of investments in funds whose strategy is to provide a financial return and generate a measureable, beneficial social impact. The assets are valued using pricing inputs that are unobservable and reflect the reporting entity's own assumptions.

Closely held shares are assets consisting of closely held private interests. These assets are valued using pricing inputs that are unobservable and reflect the reporting entity's own assumptions. The assets are valued at December 31, 2018 and 2017, using independent appraisals, subsequent sales values, original carrying cost or company financial statements.

NOTE 8 NET ASSETS

Net assets with donor restriction are available for the following purpose at December 31:

	<u>2018</u>	<u>2017</u>
Charitable Lead Trust - Timing Restriction	<u>\$ 515,940</u>	<u>\$ 572,068</u>

Net assets were released from donor-imposed restrictions as follows for the years ended December 31:

	<u>2018</u>	<u>2017</u>
With Donor Restriction:		
Charitable Lead Trust - Timing Restriction	<u>\$ 81,075</u>	<u>\$ 81,076</u>

**ST. LOUIS COMMUNITY FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
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NOTE 9 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 sheet date, comprise the following:

	<u>2018</u>	<u>2017</u>
Cash and Cash Equivalents	\$ 46,276,148	\$ 36,988,427
U.S. Treasury Bills	92,756,517	111,757,971
Short-Term Investments	315,526,515	349,822,834
Accounts Receivable and Other Assets	728,086	568,205
Total	<u>\$ 455,287,266</u>	<u>\$ 499,137,437</u>

The assets above include \$342,882,646 and \$395,488,785 in donor-advised funds as of December 31, 2018 and 2017, respectively. The Foundation generally uses these assets for grant making based on donor recommendations.

Endowment funds consist of board-designated endowments. As described in Note 10, the Foundation's board-designated endowments are subject to an annual spending rate. For the year ended December 31, 2018, this rate was 4.00% and \$2,463,900 of appropriation from the board-designated endowments was available for the March 2019 annual distributions. For the year ended December 31, 2017, the rate was also 4.00% and \$2,435,500 of appropriation from the board-designated endowments was available for the March 2018 annual distributions. Although the Foundation does not intend to spend from this board-designated endowment (other than amounts appropriated per the board's annual spending rate approval), because of the variance power held by the board, these amounts could be made available if necessary.

As part the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. The Foundation invests cash in excess of daily requirements in short-term investments and money market funds.

**ST. LOUIS COMMUNITY FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
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NOTE 10 ENDOWMENT NET ASSETS

The endowment consists of individual funds established for a variety of purposes. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. As stated in Note 1, under the Foundation's gift instrument agreements, the board of directors has the authority to remove a donor restriction, thus at December 31, 2018 and 2017, endowment net assets consist of only funds designated by the board of directors to function as endowments.

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 designated that the organization holds in perpetuity or for a specified time period(s). Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results, over time, to outperform a weighted, blended market index, based on the target allocations established for the portfolio after adjusting for an estimated rate of inflation and net of investment management and custody fees while assuming a moderate level of investment risk.

Strategies Employed for Achieving Objectives

To satisfy its long-term, rate-of-return objectives, the endowment 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 endowment targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of establishing its spending policy annually. A spending policy rate of 4.0% was established for the years ended December 31, 2018, and 2017. The spending policy rate of 4.0% was based on a 16-quarter trailing average. In establishing this policy, the endowment considered the long-term expected return on its endowment. This is consistent with the organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Endowment net asset composition by type of net asset at December 31:

	<u>2018</u>	<u>2017</u>
Net Assets Without Donor Restriction - Board-Designated Endowment Funds	<u>\$ 62,346,530</u>	<u>\$ 66,415,658</u>

**ST. LOUIS COMMUNITY FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 10 ENDOWMENT NET ASSETS (CONTINUED)

Changes in the board designated endowment net assets without donor restriction for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Endowment Net Assets - Beginning of Period	\$ 66,415,658	\$ 58,864,260
Investment Return (Loss):		
Investment Income	1,666,278	1,379,056
Net Gains (Loss) on Investments	<u>(5,860,901)</u>	<u>9,354,801</u>
Total Investment Return (Loss)	(4,194,623)	10,733,857
Other Revenue	7,000	1,025
Contributions	2,551,176	75,888
Expenses:		
Charitable Grants	1,882,133	1,862,724
Trustee, Investment, and Legal Fees	382,415	373,945
Administrative Expenses	600,606	568,953
Net Transfers	<u>(432,473)</u>	<u>453,750</u>
Total Expenses	<u>2,432,681</u>	<u>3,259,372</u>
Endowment Net Assets - End of Period	<u><u>\$ 62,346,530</u></u>	<u><u>\$ 66,415,658</u></u>

NOTE 11 RETIREMENT PLAN

The Foundation maintains a tax-qualified 403(b) deferred compensation plan. Under this plan, employees may elect to defer a percentage of their salary subject to IRS limits. After one year of service, the Foundation will contribute on behalf of the employee 2.5% of the employee's salary plus matching contributions equal to the employee's contributions to the 403(b) plan up to 4% of the employees' compensation. The Foundation's expense for the 403(b) plan totaled \$76,497, and \$77,916, for the years ended December 31, 2018 and 2017, respectively.

**ST. LOUIS COMMUNITY FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
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NOTE 12 FUNCTIONAL EXPENSES

The following is a detail of expenses by functional classification for the year ended December 31, 2018:

	Program Services	Supporting Services			Total Expenses
	Program Services	Management and General	Fund Raising - Operations	Total Support Services	
Salaries and Related Expenses	\$ 1,946,144	\$ 346,937	\$ 19,832	\$ 366,769	\$ 2,312,913
Salaries for Fiscal Sponsorships	1,301,452	229,668	-	229,668	1,531,120
Grants	85,412,467	-	-	-	85,412,467
Legal	40,267	4,474	-	4,474	44,741
Miscellaneous	81,199	14,500	967	15,467	96,666
Fundraising	-	-	36,607	36,607	36,607
Office Supplies	1,794	94	-	94	1,888
Data Processing	123,015	21,967	1,464	23,431	146,446
Professional Services	67,490	12,052	803	12,855	80,345
Advertising and Marketing	226,023	40,361	2,691	43,052	269,075
Occupancy	68,553	12,242	816	13,058	81,611
Other	398,425	70,932	3,524	74,457	472,881
Business Taxes and Fees	172,895	-	-	-	172,895
Rent	25,296	-	-	-	25,296
Accounting	52,152	9,203	-	9,203	61,355
Depreciation and Amortization	91,115	16,270	1,085	17,355	108,470
Total Expenses	\$ 90,008,286	\$ 778,700	\$ 67,790	\$ 846,490	\$ 90,854,776

The following is a detail of expenses by functional classification for the year ended December 31, 2017:

	Program Services	Supporting Services			Total Expenses
	Program Services	Management and General	Fund Raising - Operations	Total Support Services	
Salaries and Related Expenses	\$ 1,628,359	\$ 290,778	\$ 19,386	\$ 310,164	\$ 1,938,523
Grants	77,657,749	-	-	-	77,657,749
Legal	91,186	16,092	-	16,092	107,278
Miscellaneous	6,675	1,192	79	1,271	7,946
Fundraising	-	-	25,377	25,377	25,377
Office Supplies	171	9	-	9	180
Data Processing	117,435	20,970	1,398	22,368	139,803
Professional Services	17,056	3,046	203	3,249	20,305
Advertising and Marketing	150,717	26,914	1,794	28,708	179,425
Occupancy	41,178	7,353	490	7,844	49,022
Other	327,557	58,455	3,689	62,144	389,701
Business Taxes and Fees	(13,900)	-	-	-	(13,900)
Rent	2,100	-	-	-	2,100
Accounting	40,680	7,179	-	7,179	47,859
Depreciation and Amortization	78,233	13,970	931	14,901	93,134
Total Expenses	\$ 80,145,196	\$ 445,958	\$ 53,348	\$ 499,306	\$ 80,644,502

**ST. LOUIS COMMUNITY FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
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NOTE 13 LEASE COMMITMENTS

In 2016, the Foundation entered into a new lease agreement for its new principal office space. The duration of the lease is 25 years with a 10-year renewal option and is rent-free. The lease included a stipulation that building improvements outlined in the construction contract be partially paid by the Foundation, with the remainder being paid by the landlord. At December 31, 2018 and 2017, these building improvements related to the lease totaled approximately \$1,633,000 of which approximately \$1,266,000 was paid for by the Foundation. Building improvements and general upkeep of the building is maintained by the Foundation and provides a reasonable estimate of conditions required on a lease with specific rent requirements, accordingly, the estimated in-kind rent expense or in-kind receivable is deemed immaterial.

The Foundation leases a copier and fax machine under an operating lease which expires in May 2021. The expense associated with this lease totaled \$11,977 and \$10,869 for the years ended December 31, 2018 and 2017, respectively.

Future minimum rent payments are as follows at December 31, 2018:

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 8,141
2020	8,141
2021	<u>3,392</u>
Total	<u><u>\$ 19,674</u></u>

NOTE 14 INCOME TAXES

The Foundation has adopted ASC 740-10, *Income Taxes*, as it relates to uncertain tax positions and has evaluated their tax positions taken for all open tax years. The Foundation is not currently under audit nor has the Foundation been contacted by the IRS.

Based on the evaluation of the Foundation's tax positions, management believes all positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions has been recorded at December 31, 2018 and 2017.

NOTE 15 SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through August 27, 2019, the date which the combined financial statements were available to be issued.