

Simon Youth Foundation, Inc.

Independent Auditor's Report and Financial Statements

December 31, 2017 and 2016

Simon Youth Foundation, Inc.
December 31, 2017 and 2016

Contents

Independent Auditor’s Report..... 1

Financial Statements

 Statements of Financial Position 3

 Statements of Activities..... 4

 Statements of Functional Expenses 6

 Statements of Cash Flows 8

 Notes to Financial Statements 9

Independent Auditor's Report

Board of Directors
Simon Youth Foundation, Inc.
Indianapolis, Indiana

We have audited the accompanying financial statements of Simon Youth Foundation, Inc., which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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; 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Simon Youth Foundation as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BKD, LLP

Indianapolis, Indiana
March 29, 2018

Simon Youth Foundation, Inc.

Statements of Financial Position December 31, 2017 and 2016

Assets

	<u>2017</u>	<u>2016</u>
Cash	\$ 614,927	\$ 513,765
Investments	9,407,827	8,854,399
Contributions receivables		
Related parties	268,529	183,230
Other	601,022	582,976
Prepaid expenses and other assets	150,991	121,705
Property and equipment	<u>3,443,296</u>	<u>3,656,241</u>
Total assets	<u>\$ 14,486,592</u>	<u>\$ 13,912,316</u>

Liabilities and Net Assets

Liabilities

Accounts payable		
Related party	\$ 425,117	\$ 383,387
Trade	<u>85,480</u>	<u>166,060</u>
Total liabilities	<u>510,597</u>	<u>549,447</u>

Net Assets

Unrestricted		
Board-designated	10,374,362	9,282,085
Undesignated	<u>2,907,668</u>	<u>3,331,887</u>
	13,282,030	12,613,972
Temporarily restricted	393,482	451,414
Permanently restricted	<u>300,483</u>	<u>297,483</u>
Total net assets	<u>13,975,995</u>	<u>13,362,869</u>
Total liabilities and net assets	<u>\$ 14,486,592</u>	<u>\$ 13,912,316</u>

Simon Youth Foundation, Inc.
Statements of Activities
Years Ended December 31, 2017 and 2016

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenue and Support				
Contributions and grants	\$ 3,308,943	\$ 441,602	\$ 3,000	\$ 3,753,545
In-kind contributions	9,234,866	-	-	9,234,866
Interest and dividends	112,255	1,402	-	113,657
Total revenue	<u>12,656,064</u>	<u>443,004</u>	<u>3,000</u>	<u>13,102,068</u>
Net assets released from restriction	528,827	(528,827)	-	-
Total revenue and other support	<u>13,184,891</u>	<u>(85,823)</u>	<u>3,000</u>	<u>13,102,068</u>
Expenses				
Educational programs	11,273,999	-	-	11,273,999
Fundraising	1,056,304	-	-	1,056,304
Management and general	971,832	-	-	971,832
Total expenses	<u>13,302,135</u>	<u>-</u>	<u>-</u>	<u>13,302,135</u>
Change in Net Assets Before Other Gains (Losses)	<u>(117,244)</u>	<u>(85,823)</u>	<u>3,000</u>	<u>(200,067)</u>
Other Gains (Losses)				
Loss on disposal of property and equipment	-	-	-	-
Reserve for uncollectible accounts	(52,662)	20,085	-	(32,577)
Net realized gains (losses) on investments	180,516	1,427	-	181,943
Net unrealized gains on investments	657,448	6,379	-	663,827
Total other gains (losses)	<u>785,302</u>	<u>27,891</u>	<u>-</u>	<u>813,193</u>
Change in Net Assets	668,058	(57,932)	3,000	613,126
Net Assets, Beginning of Year	<u>12,613,972</u>	<u>451,414</u>	<u>297,483</u>	<u>13,362,869</u>
Net Assets, End of Year	<u>\$ 13,282,030</u>	<u>\$ 393,482</u>	<u>\$ 300,483</u>	<u>\$ 13,975,995</u>

2016

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 3,721,678	\$ 508,105	\$ -	\$ 4,229,783
5,543,373	-	-	5,543,373
206,795	12,202	-	218,997
9,471,846	520,307	-	9,992,153
496,500	(496,500)	-	-
9,968,346	23,807	-	9,992,153
7,318,701	-	-	7,318,701
1,019,847	-	-	1,019,847
573,898	-	-	573,898
8,912,446	-	-	8,912,446
1,055,900	23,807	-	1,079,707
(36,776)	-	-	(36,776)
(39,168)	6,816	-	(32,352)
(170,336)	(2,128)	-	(172,464)
518,126	5,098	-	523,224
271,846	9,786	-	281,632
1,327,746	33,593	-	1,361,339
11,286,226	417,821	297,483	12,001,530
\$ 12,613,972	\$ 451,414	\$ 297,483	\$ 13,362,869

Simon Youth Foundation, Inc.
Statements of Functional Expenses
Years Ended December 31, 2017 and 2016

	2017			
	Educational Programs	Fundraising	Management and General	Total
Personnel	\$ 423,164	\$ 324,162	\$ 451,750	\$ 1,199,076
Legal services	20,676	1,954	17,278	39,908
Accounting services	-	-	27,794	27,794
Printed materials and marketing	11,812	105,952	2,500	120,264
Supplies and maintenance	614	31,654	52,325	84,593
Telephone	629	449	4,951	6,029
Postage and shipping	1,840	11,847	607	14,294
Insurance	19,700	-	7,004	26,704
Travel	47,638	11,682	7,724	67,044
Bank charges	-	10,936	-	10,936
Mall events	-	143,392	274	143,666
Gala and nonmall events	170	233,810	-	233,980
Volunteer recognition	1,000	26,866	668	28,534
Academy workshops	147,106	123	-	147,229
Scholarships	1,287,000	-	-	1,287,000
Student and teacher enhancements	153,044	54	-	153,098
Staff development	1,629	3,003	4,039	8,671
Academy expenses	201,811	-	-	201,811
Occupancy	8,689,528	9,727	394,918	9,094,173
Depreciation	266,638	-	-	266,638
In-kind	-	140,693	-	140,693
	<u>\$ 11,273,999</u>	<u>\$ 1,056,304</u>	<u>\$ 971,832</u>	<u>\$ 13,302,135</u>

2016

Educational Programs	Fundraising	Management and General	Total
\$ 380,471	\$ 416,139	\$ 392,361	\$ 1,188,971
16,023	5,847	7,406	29,276
-	-	19,968	19,968
2,369	23,697	3,555	29,621
-	-	62,881	62,881
1,967	2,248	468	4,683
2,680	25,248	125	28,053
14,136	-	3,987	18,123
44,264	16,925	3,906	65,095
-	13,742	-	13,742
-	159,834	-	159,834
-	224,919	-	224,919
3,126	39,535	-	42,661
124,302	-	-	124,302
863,075	-	-	863,075
100,706	-	-	100,706
2,371	6,521	10,868	19,760
289,425	-	-	289,425
5,263,420	21,266	31,900	5,316,586
189,000	-	36,000	225,000
21,366	63,926	473	85,765
\$ 7,318,701	\$ 1,019,847	\$ 573,898	\$ 8,912,446

Simon Youth Foundation, Inc.
Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	2017	2016
Operating Activities		
Change in net assets	\$ 613,126	\$ 1,361,339
Items not requiring (providing) cash		
Depreciation	266,638	225,000
Realized (gains) losses on investments	(181,943)	172,464
Unrealized (gain) loss on investments	(663,827)	(523,224)
In-kind contribution of property and equipment	-	(90,519)
Loss on disposal of property and equipment	-	36,776
Change in		
Receivables	(103,345)	239,428
Prepaid expenses and other assets	(29,286)	(63,967)
Accounts payable	6,869	(247,994)
Net cash provided by (used in) operating activities	(91,768)	1,109,303
Investing Activities		
Purchases of property and equipment	(99,412)	(1,040,473)
Purchases of investments	(113,658)	(3,224,043)
Proceeds from sales of investments	406,000	2,992,310
Net cash provided by (used in) investing activities	192,930	(1,272,206)
Increase (Decrease) in Cash	101,162	(162,903)
Cash, Beginning of Year	513,765	676,668
Cash, End of Year	\$ 614,927	\$ 513,765
Supplemental Cash Flows Information		
Property and equipment purchases in accounts payable	\$ -	\$ 45,719

Simon Youth Foundation, Inc.

Notes to Financial Statements December 31, 2017 and 2016

Note 1: Nature of Operations and Summary of Significant Accounting Policies

General

Simon Youth Foundation, Inc. (Foundation) was established by Simon Property Group (SPG) and members of the Simon Family. The Foundation was incorporated in the State of Indiana in December 1997, and is governed by a Board of Directors. Simon Youth Foundation exists to help youth, who are at risk of dropping out of high school, graduate, develop life skills and pursue post-secondary education and career paths. The Foundation's revenues and support are derived principally from contributions and grants.

Use of Estimates

The preparation of 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 financial statements and the reported amounts of the revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Foundation has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Foundation in perpetuity.

Cash

At December 31, 2017, the Foundation's cash accounts exceeded federally insured limits by approximately \$328,000.

Investments and Investment Return

All investments are carried at fair value. Investment return includes dividends, interest and realized and unrealized gains and losses on investments.

The Foundation has maintained pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investment accounts, as adjusted for additions to or deductions from those accounts.

Simon Youth Foundation, Inc.

Notes to Financial Statements December 31, 2017 and 2016

Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. The Foundation is no longer subject to U.S. federal, state and local or non-U.S. income tax examinations by tax authorities for years before 2014.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period the unconditional promises are received and as assets, decreases of liabilities or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Support and Revenue

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as temporarily restricted and then released from restriction.

Donated Use of Facilities

The use of office space and academy facilities are donated to the Foundation, and are recorded in the statements of activities at the fair value of the space provided.

Property and Equipment

Property and equipment is depreciated on a straight-line basis over the estimated life of each asset. Assets under leasehold improvements, including Academy build-outs, are depreciated over their respective estimated useful lives.

	<u>Years</u>
Academy build-outs	20
Wishing wells	7
Computer equipment and software	3

Simon Youth Foundation, Inc.

Notes to Financial Statements December 31, 2017 and 2016

Long-Lived Asset Impairment

The Foundation evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended December 31, 2017 and 2016.

Expense Allocation

The costs of providing programs and services for the Foundation have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subsequent Events

Subsequent events have been evaluated through March 29, 2018, which is the date the financial statements were available to be issued.

Note 2: Contributions Receivable

Contributions receivable consist of the following:

	Unrestricted	2017 Temporarily Restricted	Total
Due within one year	\$ 525,307	\$ 383,604	\$ 908,911
Less allowance for uncollectible contributions	-	(39,360)	(39,360)
	<u>\$ 525,307</u>	<u>\$ 344,244</u>	<u>\$ 869,551</u>

Simon Youth Foundation, Inc.

Notes to Financial Statements December 31, 2017 and 2016

	Unrestricted	2016 Temporarily Restricted	Total
Due within one year	\$ 361,046	\$ 454,605	\$ 815,651
Due in one to five years	-	10,000	10,000
	<u>361,046</u>	<u>464,605</u>	<u>825,651</u>
Less allowance for uncollectible contributions	-	(59,445)	(59,445)
	<u>\$ 361,046</u>	<u>\$ 405,160</u>	<u>\$ 766,206</u>

Note 3: Investments

Investments held by the Foundation at December 31, 2017 and 2016 consisted of the following:

	2017	2016
Money market mutual funds	\$ 180,836	\$ 597,017
Fixed income securities		
Corporate bonds	610,810	537,153
U.S. Treasury securities	1,846,232	1,486,224
Government-sponsored enterprises	298,029	469,939
Mutual funds		
Domestic	2,430,727	2,432,161
International	2,935,192	2,327,205
Multi-strategy	<u>1,106,001</u>	<u>1,004,700</u>
Total investments	<u>\$ 9,407,827</u>	<u>\$ 8,854,399</u>

Simon Youth Foundation, Inc.

Notes to Financial Statements December 31, 2017 and 2016

Note 4: Property and Equipment

Property and equipment as of December 31, 2017 and 2016 consists of:

	<u>2017</u>	<u>2016</u>
Academy build-outs	\$ 5,152,457	\$ 5,106,876
Wishing wells	252,911	252,911
Computer equipment and software	247,492	247,492
Academy construction in process	9,570	1,458
Accumulated depreciation	<u>(2,219,134)</u>	<u>(1,952,496)</u>
	<u>\$ 3,443,296</u>	<u>\$ 3,656,241</u>

Note 5: Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Pledges receivable in future periods	\$ 354,244	\$ 385,160
Academy network expansion	-	20,000
Scholarships	<u>39,238</u>	<u>46,254</u>
	<u>\$ 393,482</u>	<u>\$ 451,414</u>

Permanently Restricted Net Assets

Permanently restricted net assets are restricted to:

	<u>2017</u>	<u>2016</u>
Build-A-Bear Scholarship Endowment	\$ 62,220	\$ 62,220
Academy Scholarship Endowment	205,263	202,263
Gulfstream Aerospace Corp Scholarship Endowment	<u>33,000</u>	<u>33,000</u>
	<u>\$ 300,483</u>	<u>\$ 297,483</u>

These permanently restricted net assets will remain in perpetuity and the investment earnings off of these funds are utilized for scholarships.

Simon Youth Foundation, Inc.

Notes to Financial Statements December 31, 2017 and 2016

Net Assets Released From Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2017</u>	<u>2016</u>
Purpose restrictions accomplished		
Scholarships	\$ 1,000	\$ 1,129
Other	73,222	48,500
Time restrictions accomplished	<u>454,605</u>	<u>446,871</u>
Total net assets released from restrictions	<u>\$ 528,827</u>	<u>\$ 496,500</u>

Note 6: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as 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 for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Following is a description of the valuation methodologies and inputs used for instruments measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include money market mutual funds and mutual funds. If quoted market prices are not available, then fair values are estimated by using a multi-dimensional related pricing model using inputs including secondary market sales, new issue sales of similar assets and benchmark yields. Level 2 securities include corporate bonds, U.S. Treasury securities and government-sponsored enterprises.

Simon Youth Foundation, Inc.

Notes to Financial Statements December 31, 2017 and 2016

The following tables present the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2017 and 2016:

	2017			
	Fair Value Measurements Using			
Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Money market mutual funds	\$ 180,836	\$ 180,836	\$ -	\$ -
Fixed income securities				
Corporate bonds	610,810	610,810	-	-
U.S. Treasury securities	1,846,232	1,846,232	-	-
Government-sponsored enterprises	298,029	-	298,029	-
Mutual funds				
Domestic	2,430,727	2,430,727	-	-
International	2,935,192	2,935,192	-	-
Multi-strategy	1,106,001	1,106,001	-	-
	<u>\$ 9,407,827</u>	<u>\$ 9,109,798</u>	<u>\$ 298,029</u>	<u>\$ -</u>

	2016			
	Fair Value Measurements Using			
Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Money market mutual funds	\$ 597,017	\$ 597,017	\$ -	\$ -
Fixed income securities				
Corporate bonds	537,153	537,153	-	-
U.S. Treasury securities	1,486,224	1,486,224	-	-
Government-sponsored enterprises	469,939	-	469,939	-
Mutual funds				
Domestic	2,432,161	2,432,161	-	-
International	2,327,205	2,327,205	-	-
Multi-strategy	1,004,700	1,004,700	-	-
	<u>\$ 8,854,399</u>	<u>\$ 8,384,460</u>	<u>\$ 469,939</u>	<u>\$ -</u>

Simon Youth Foundation, Inc.

Notes to Financial Statements December 31, 2017 and 2016

Note 7: Endowment

The Foundation's endowment consists of various individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation's Board has interpreted the State of Indiana Prudent Management of Institutional Funds Act (SPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the endowment fund agreement. In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Foundation and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Foundation
7. Investment policies of the Foundation

The composition of net assets by type of endowment fund at December 31, 2017 and 2016 was:

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ -	\$ 27,178	\$ 300,483	\$ 327,661
Board-designated endowment funds	9,069,355	-	-	9,069,355
Total endowment funds	<u>\$ 9,069,355</u>	<u>\$ 27,178</u>	<u>\$ 300,483</u>	<u>\$ 9,397,016</u>

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ -	\$ 21,751	\$ 297,483	\$ 319,234
Board-designated endowment funds	8,128,462	-	-	8,128,462
Total endowment funds	<u>\$ 8,128,462</u>	<u>\$ 21,751</u>	<u>\$ 297,483</u>	<u>\$ 8,447,696</u>

Simon Youth Foundation, Inc.

Notes to Financial Statements December 31, 2017 and 2016

Changes in endowment net assets for the years ended December 31, 2017 and 2016 were:

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ 8,128,462	\$ 21,751	\$ 297,483	\$ 8,447,696
Investment return				
Investment income, net of fees	292,446	48	-	292,494
Net appreciation	657,447	6,379	-	663,826
Total investment return	<u>949,893</u>	<u>6,427</u>	<u>-</u>	<u>956,320</u>
Contribution	-	-	3,000	3,000
Appropriation of endowment assets for expenditure	<u>(9,000)</u>	<u>(1,000)</u>	<u>-</u>	<u>(10,000)</u>
Endowment net assets, end of year	<u>\$ 9,069,355</u>	<u>\$ 27,178</u>	<u>\$ 300,483</u>	<u>\$ 9,397,016</u>
	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ 7,553,438	\$ 17,210	\$ 297,483	\$ 7,868,131
Investment return				
Investment income, net of fees	58,172	572	-	58,744
Net appreciation	518,126	5,098	-	523,224
Total investment return	<u>576,298</u>	<u>5,670</u>	<u>-</u>	<u>581,968</u>
Appropriation of endowment assets for expenditure	<u>(1,274)</u>	<u>(1,129)</u>	<u>-</u>	<u>(2,403)</u>
Endowment net assets, end of year	<u>\$ 8,128,462</u>	<u>\$ 21,751</u>	<u>\$ 297,483</u>	<u>\$ 8,447,696</u>

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Foundation must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds. Under the Foundation's policies, endowment assets are invested in a manner that is intended to produce results that provide long-term growth while assuming an acceptable level of investment risk. The Foundation expects its endowment funds to provide an average rate of return of approximately 6.5% annually over time. Actual returns in any given year may vary from this amount.

Simon Youth Foundation, Inc.

Notes to Financial Statements December 31, 2017 and 2016

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 current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Foundation adopted a policy (the spending policy) of appropriating for expenditure each year up to 3% of its endowment fund's average fair value over the prior 12 quarters through the year end preceding the year in which expenditure is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long-term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 3.5% annually. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Note 8: Employee Benefit Plan

The Foundation participates in SPG's 401(k) defined-contribution retirement plan covering substantially all employees. An officer of SPG annually determines the amount, if any, of the Foundation's contributions to the Plan. The Foundation pays SPG an overhead allocation for employee benefits. Amounts paid to SPG were \$191,957 in 2017 and \$192,238 in 2016, a portion of which related to benefit plan contributions.

Note 9: Related Party Transactions

The Foundation receives significant contributions from SPG. In addition, the Foundation utilizes space for Academies and offices, which are also contributed by SPG. The space utilized is recorded as in-kind revenue and expense at fair value. The Foundation reimburses SPG for payroll expenses, including taxes and benefits.

Certain Foundation employees and members of the Foundation's Board of Directors make contributions to the Foundation.

SPG-owned malls collect contributions on the Foundation's behalf in various manners, such as point-of-sale transactions, wishing well coin collections and special events on the Foundation's behalf.

Finally, certain members of the Simon family and entities related thereto make contributions to the Foundation.

Simon Youth Foundation, Inc.

Notes to Financial Statements December 31, 2017 and 2016

The related party transactions for the years ended December 31, 2017 and 2016 were:

	2017	2016
Assets		
Contributions receivable		
Simon family, Simon Property Group and related entities	\$ 198,355	\$ 115,020
Employees and board members	23,353	36,795
Malls and Academies	46,821	31,415
	\$ 268,529	\$ 183,230
Liabilities		
Accounts payable		
Simon Property Group - payroll and benefits	\$ 425,117	\$ 383,387
Revenue		
Contributions and grants		
Simon family, Simon Property Group and related entities	\$ 450,310	\$ 689,187
Employees and board members	309,533	327,108
Malls and Academies	1,822,377	2,107,733
	2,582,220	3,124,028
In-kind contributions		
Office and Academy occupancy	1,470,479	2,262,949
	\$ 4,052,699	\$ 5,386,977

Note 10: Commitments

At December 31, 2017 and 2016, the Foundation had conditional commitments to pay scholarships of approximately \$1,917,850 and \$1,664,000, respectively, over three years, provided the students meet certain criteria. Based upon historical data and anticipated attrition rates, the Foundation anticipates realizing approximately \$1,620,940 and \$1,079,000 of these scholarship commitments as of December 31, 2017 and 2016, respectively. The conditional commitments by year are as follows:

	Conditional Commitment	With Attrition
2018	\$ 941,300	\$ 822,080
2019	614,900	513,400
2020	361,650	285,460
	\$ 1,917,850	\$ 1,620,940