

Simon Youth Foundation, Inc.

Independent Auditor's Report and Financial Statements

December 31, 2018 and 2017

Simon Youth Foundation, Inc.
December 31, 2018 and 2017

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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, 2018 and 2017, 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, Inc. as of December 31, 2018 and 2017, 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.

Emphasis of Matter

As described in Note 1 to the financial statements, in 2018, Simon Youth Foundation adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

BKD, LLP

Indianapolis, Indiana
April 1, 2019

Simon Youth Foundation, Inc.

Statements of Financial Position December 31, 2018 and 2017

Assets

	<u>2018</u>	<u>2017</u>
Cash	\$ 283,256	\$ 614,927
Investments	8,289,445	9,407,827
Contributions receivables		
Related parties	346,737	268,529
Other	383,137	601,022
Prepaid expenses and other assets	240,953	150,991
Property and equipment	<u>3,909,182</u>	<u>3,443,296</u>
 Total assets	 <u>\$ 13,452,710</u>	 <u>\$ 14,486,592</u>

Liabilities and Net Assets

Liabilities

Accounts payable		
Related party	\$ 419,171	\$ 425,117
Trade	<u>209,560</u>	<u>85,480</u>
Total liabilities	<u>628,731</u>	<u>510,597</u>

Net Assets

Without donor restrictions		
Board-designated	8,999,773	10,374,362
Undesignated	<u>3,145,626</u>	<u>2,907,668</u>
	12,145,399	13,282,030
With donor restrictions		
Time-restricted for future periods	352,205	354,244
Purpose restrictions	25,892	39,238
Perpetual in nature	<u>300,483</u>	<u>300,483</u>
Total net assets	<u>12,823,979</u>	<u>13,975,995</u>
 Total liabilities and net assets	 <u>\$ 13,452,710</u>	 <u>\$ 14,486,592</u>

Simon Youth Foundation, Inc.
Statements of Activities
Years Ended December 31, 2018 and 2017

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Contributions and grants	\$ 3,389,037	\$ 431,031	\$ 3,820,068
In-kind contributions	10,995,684	-	10,995,684
Interest and dividends	132,610	3,217	135,827
Total revenue	<u>14,517,331</u>	<u>434,248</u>	<u>14,951,579</u>
Net assets released from restriction	448,614	(448,614)	-
Total revenue and other support	<u>14,965,945</u>	<u>(14,366)</u>	<u>14,951,579</u>
Expenses			
Educational programs	13,659,323	-	13,659,323
Fundraising	1,082,180	-	1,082,180
Management and general	576,746	-	576,746
Total expenses	<u>15,318,249</u>	<u>-</u>	<u>15,318,249</u>
Change in Net Assets Before Other Gains (Losses)	<u>(352,304)</u>	<u>(14,366)</u>	<u>(366,670)</u>
Other Gains (Losses)			
Loss on disposal of property and equipment	(166,500)	-	(166,500)
Reserve for uncollectible accounts	(18,884)	4,792	(14,092)
Net realized gains on investments	336,492	3,265	339,757
Net unrealized gains (losses) on investments	(935,435)	(9,076)	(944,511)
Total other gains (losses)	<u>(784,327)</u>	<u>(1,019)</u>	<u>(785,346)</u>
Change in Net Assets	(1,136,631)	(15,385)	(1,152,016)
Net Assets, Beginning of Year	<u>13,282,030</u>	<u>693,965</u>	<u>13,975,995</u>
Net Assets, End of Year	<u>\$ 12,145,399</u>	<u>\$ 678,580</u>	<u>\$ 12,823,979</u>

2017		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 3,308,943	\$ 444,602	\$ 3,753,545
9,234,866	-	9,234,866
112,255	1,402	113,657
<u>12,656,064</u>	<u>446,004</u>	<u>13,102,068</u>
528,827	(528,827)	-
<u>13,184,891</u>	<u>(82,823)</u>	<u>13,102,068</u>
11,273,999	-	11,273,999
1,056,304	-	1,056,304
971,832	-	971,832
<u>13,302,135</u>	<u>-</u>	<u>13,302,135</u>
<u>(117,244)</u>	<u>(82,823)</u>	<u>(200,067)</u>
-	-	-
(52,662)	20,085	(32,577)
180,516	1,427	181,943
<u>657,448</u>	<u>6,379</u>	<u>663,827</u>
<u>785,302</u>	<u>27,891</u>	<u>813,193</u>
668,058	(54,932)	613,126
<u>12,613,972</u>	<u>748,897</u>	<u>13,362,869</u>
<u>\$ 13,282,030</u>	<u>\$ 693,965</u>	<u>\$ 13,975,995</u>

Simon Youth Foundation, Inc.
Statements of Functional Expenses
Years Ended December 31, 2018 and 2017

	2018			
	Educational Programs	Fundraising	Management and General	Total
Personnel	\$ 499,384	\$ 379,890	\$ 436,966	\$ 1,316,240
Legal services	26,501	-	12,619	39,120
Accounting services	-	-	28,340	28,340
Printed materials and marketing	3,636	51,276	-	54,912
Supplies and maintenance	1,071	63,864	18,055	82,990
Telephone	-	-	6,291	6,291
Postage and shipping	3,041	3,947	504	7,492
Insurance	40,639	-	6,696	47,335
Travel	40,968	5,575	1,762	48,305
Bank charges	-	25	15,302	15,327
Mall events	2,657	162,408	-	165,065
Gala and nonmall events	-	247,014	-	247,014
Volunteer recognition	4,680	18,185	542	23,407
Academy workshops	195,508	-	-	195,508
Scholarships	1,208,698	-	-	1,208,698
Student and teacher enhancements	115,688	32	-	115,720
Staff development	472	2,603	5,340	8,415
Academy expenses	398,764	-	-	398,764
Occupancy	10,806,578	17,394	16,917	10,840,889
Depreciation	286,210	-	-	286,210
Miscellaneous	-	-	27,412	27,412
In-kind	24,828	129,967	-	154,795
	<u>\$ 13,659,323</u>	<u>\$ 1,082,180</u>	<u>\$ 576,746</u>	<u>\$ 15,318,249</u>

See Notes to Financial Statements

2017

Educational Programs	Fundraising	Management and General	Total
\$ 423,164	\$ 324,162	\$ 451,750	\$ 1,199,076
20,676	1,954	17,278	39,908
-	-	27,794	27,794
11,812	105,952	2,500	120,264
614	31,654	52,325	84,593
629	449	4,951	6,029
1,840	11,847	607	14,294
19,700	-	7,004	26,704
47,638	11,682	7,724	67,044
-	10,936	-	10,936
-	143,392	274	143,666
170	233,810	-	233,980
1,000	26,866	668	28,534
147,106	123	-	147,229
1,287,000	-	-	1,287,000
153,044	54	-	153,098
1,629	3,003	4,039	8,671
201,811	-	-	201,811
8,689,528	9,727	394,918	9,094,173
266,638	-	-	266,638
-	-	-	-
-	140,693	-	140,693
\$ 11,273,999	\$ 1,056,304	\$ 971,832	\$ 13,302,135

Simon Youth Foundation, Inc.
Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	2018	2017
Operating Activities		
Change in net assets	\$ (1,152,016)	\$ 613,126
Items not requiring (providing) cash		
Depreciation	286,210	266,638
Realized gains on investments	(339,757)	(181,943)
Unrealized (gain) loss on investments	944,511	(663,827)
Loss on disposal of property and equipment	166,500	-
Change in		
Receivables	139,677	(103,345)
Prepaid expenses and other assets	(89,962)	(29,286)
Accounts payable	22,906	6,869
Net cash used in operating activities	(21,931)	(91,768)
Investing Activities		
Purchases of property and equipment	(823,368)	(99,412)
Purchases of investments	(982,372)	(113,658)
Proceeds from sales of investments	1,496,000	406,000
Net cash provided by (used in) investing activities	(309,740)	192,930
Increase (Decrease) in Cash	(331,671)	101,162
Cash, Beginning of Year	614,927	513,765
Cash, End of Year	\$ 283,256	\$ 614,927
Supplemental Cash Flows Information		
Property and equipment in accounts payable	\$ 95,228	\$ -

Simon Youth Foundation, Inc.

Notes to Financial Statements December 31, 2018 and 2017

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.

Net Assets With Donor Restriction

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment. Net assets with donor restrictions are subject to donor-imposed restrictions. 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.

Cash

At December 31, 2018, the Foundation's cash accounts exceeded federally insured limits by approximately \$406,000.

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, 2018 and 2017

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 2015.

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, net assets with donor restrictions 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 with donor restriction 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, 2018 and 2017

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, 2018 and 2017.

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 April 1, 2019, which is the date the financial statements were available to be issued.

Change in Accounting Principle

In 2018, the Foundation adopted ASU 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements for Not-For-Profit Entities*. A summary of the changes is as follows:

Statement of Financial Position

- The statement of financial position distinguishes between two new classes of net assets—those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets—unrestricted, temporarily restricted and permanently restricted.

Statement of Functional Expenses

- Expenses are reported by both nature and function in one location.

Notes to the Financial Statements

- Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one-year from the date of the Statement of Financial Position.
- Amounts and purposes of Governing Board designations and appropriations as of the end of the period are disclosed.

This change had no impact on previously reported total change in net assets.

Simon Youth Foundation, Inc.

Notes to Financial Statements December 31, 2018 and 2017

Note 2: Contributions Receivables

Contributions receivables consist of the following:

	Without Donor Restriction	2018 With Donor Restriction	Total
Due within one year	\$ 377,669	\$ 388,534	\$ 766,203
Less allowance for uncollectible contributions	<u>-</u>	<u>(36,329)</u>	<u>(36,329)</u>
	<u><u>\$ 377,669</u></u>	<u><u>\$ 352,205</u></u>	<u><u>\$ 729,874</u></u>
	Without Donor Restriction	2017 With Donor Restriction	Total
Due within one year	\$ 525,307	\$ 383,604	\$ 908,911
Less allowance for uncollectible contributions	<u>-</u>	<u>(39,360)</u>	<u>(39,360)</u>
	<u><u>\$ 525,307</u></u>	<u><u>\$ 344,244</u></u>	<u><u>\$ 869,551</u></u>

Note 3: Investments

Investments held by the Foundation at December 31, 2018 and 2017 consisted of the following:

	2018	2017
Money market mutual funds	\$ 1,243,781	\$ 1,080,702
Fixed income securities		
Corporate bonds	505,903	610,810
U.S. Treasury securities	445,087	946,366
Government-sponsored enterprises	643,625	298,029
Mutual funds		
Domestic	2,376,761	2,430,727
International	2,056,234	2,935,192
Multi-strategy	<u>1,018,054</u>	<u>1,106,001</u>
Total investments	<u><u>\$ 8,289,445</u></u>	<u><u>\$ 9,407,827</u></u>

An immaterial revision was made to 2017 to reclassify \$899,866 to money market mutual funds from U.S. Treasury securities. This change had no effect on the statement of financial position, statement of activities or statement of cash flows.

Simon Youth Foundation, Inc.

Notes to Financial Statements December 31, 2018 and 2017

Note 4: Property and Equipment

Property and equipment as of December 31, 2018 and 2017 consists of:

	2018	2017
Academy build-outs	\$ 5,638,470	\$ 5,152,457
Wishing wells	252,911	252,911
Computer equipment and software	247,492	247,492
Academy construction in process	-	9,570
Accumulated depreciation	(2,229,691)	(2,219,134)
	\$ 3,909,182	\$ 3,443,296

Note 5: Net Assets With Donor Restrictions

Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31 are restricted for the following purposes or periods:

	2018	2017
Subject to expenditure for specified purpose		
Scholarships	\$ 25,892	\$ 39,238
Subject to the passage of time		
Promises to give that are not restricted by donors but which are unavailable for expenditure until due	352,205	354,244
Endowments		
Subject to Foundation endowment spending policy and appropriation		
Build-A-Bear Scholarship Endowment	62,220	62,220
Academy Scholarship Endowment	205,263	205,263
Gulfstream Aerospace Corp Scholarship Endowment	33,000	33,000
	300,483	300,483
	\$ 678,580	\$ 693,965

The endowed net assets will remain in perpetuity with the investment earnings to be utilized for scholarships.

Simon Youth Foundation, Inc.

Notes to Financial Statements December 31, 2018 and 2017

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.

	2018	2017
Expiration of time restrictions	\$ 405,364	\$ 454,605
Satisfaction of purpose restrictions		
Scholarships	-	1,000
Other	43,250	73,222
	<u>448,614</u>	<u>528,827</u>
Total net assets released from restrictions	<u>\$ 448,614</u>	<u>\$ 528,827</u>

Board-Designated Net Assets

Net assets designated by the Board at December 31 consist of the following:

	2018	2017
Designated for endowment	\$ 7,751,748	\$ 9,069,355
Designated for scholarships	1,248,025	1,305,007
	<u>8,999,773</u>	<u>10,374,362</u>
Total board-designated net assets	<u>\$ 8,999,773</u>	<u>\$ 10,374,362</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

Simon Youth Foundation, Inc.

Notes to Financial Statements December 31, 2018 and 2017

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.

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, 2018 and 2017:

	Fair Value	2018 Fair Value Measurements Using		
		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	\$ 1,243,781	\$ 1,243,781	\$ -	\$ -
Fixed income securities				
Corporate bonds	505,903	-	505,903	-
U.S. Treasury securities	445,087	445,087	-	-
Government-sponsored enterprises	643,625	-	643,625	-
Mutual funds				
Domestic	2,376,761	2,376,761	-	-
International	2,056,234	2,056,234	-	-
Multi-strategy	1,018,054	1,018,054	-	-
	<u>\$ 8,289,445</u>	<u>\$ 7,139,917</u>	<u>\$ 1,149,528</u>	<u>\$ -</u>

Simon Youth Foundation, Inc.

Notes to Financial Statements December 31, 2018 and 2017

	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	\$ 1,080,702	\$ 1,080,702	\$ -	\$ -
Fixed income securities				
Corporate bonds	610,810	-	610,810	-
U.S. Treasury securities	946,366	946,366	-	-
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>\$ 8,498,988</u>	<u>\$ 908,839</u>	<u>\$ -</u>

An immaterial revision was made to 2017 to reclassify \$610,810 of corporate bonds from Level 1 to Level 2. This change had no effect on the statement of financial position, statement of activities or statement of cash flows.

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.

Simon Youth Foundation, Inc.

Notes to Financial Statements December 31, 2018 and 2017

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 net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the 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, 2018 and 2017 was:

	2018		
	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	\$ -	\$ 323,124	\$ 323,124
Board-designated endowment funds	7,751,748	-	7,751,748
Total endowment funds	<u>\$ 7,751,748</u>	<u>\$ 323,124</u>	<u>\$ 8,074,872</u>
	2017		
	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	\$ -	\$ 327,661	\$ 327,661
Board-designated endowment funds	9,069,355	-	9,069,355
Total endowment funds	<u>\$ 9,069,355</u>	<u>\$ 327,661</u>	<u>\$ 9,397,016</u>

Simon Youth Foundation, Inc.

Notes to Financial Statements December 31, 2018 and 2017

Changes in endowment net assets for the years ended December 31, 2018 and 2017 were:

	Without Donor Restriction	2018 With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 9,069,355	\$ 327,661	\$ 9,397,016
Investment return			
Investment income, net of fees	467,827	4,539	472,366
Net depreciation	<u>(935,434)</u>	<u>(9,076)</u>	<u>(944,510)</u>
Total investment return	<u>(467,607)</u>	<u>(4,537)</u>	<u>(472,144)</u>
Appropriation of endowment assets for expenditure	<u>(850,000)</u>	<u>-</u>	<u>(850,000)</u>
Endowment net assets, end of year	<u>\$ 7,751,748</u>	<u>\$ 323,124</u>	<u>\$ 8,074,872</u>
	Without Donor Restriction	2017 With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 8,128,462	\$ 319,234	\$ 8,447,696
Investment return			
Investment income, net of fees	292,446	48	292,494
Net appreciation	<u>657,447</u>	<u>6,379</u>	<u>663,826</u>
Total investment return	<u>949,893</u>	<u>6,427</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>(10,000)</u>
Endowment net assets, end of year	<u>\$ 9,069,355</u>	<u>\$ 327,661</u>	<u>\$ 9,397,016</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, 2018 and 2017

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. The Foundation has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor stipulations or laws and regulations. There were no underwater endowments at December 31, 2018 or 2017.

The Foundation has historically not taken the appropriation allowed under their spending policy with the intent of allowing the endowment to grow until such time that an appropriation was necessary. During 2018, the Foundation took an appropriation which exceeded the appropriation allowed per the annual spending policy, however, is reflective of the fact that the Foundation has not taken an appropriation in prior years. This appropriation was approved by the investment committee, finance committee, executive committee, and the board of directors.

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 \$210,667 in 2018 and \$191,957 in 2017, a portion of which related to benefit plan contributions.

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Note 9: Liquidity

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2018 and 2017, comprise the following:

	2018	2017
Total financial assets		
Cash	\$ 283,256	\$ 614,927
Investments	8,289,445	9,407,827
Contributions receivables	729,874	869,551
	<u>9,302,575</u>	<u>10,892,305</u>
Donor-imposed restrictions		
Restricted funds	25,892	39,238
Endowments	300,483	300,483
	<u>326,375</u>	<u>339,721</u>
Internal designations		
Quasi-endowment	7,751,748	9,069,355
	<u>7,751,748</u>	<u>9,069,355</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,224,452</u>	<u>\$ 1,483,229</u>

The Foundation receives significant contributions restricted by donors and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. For the years ended December 31, 2018 and 2017, restricted contributions of \$431,031 and \$444,602, respectively, were included in financial assets available to meet cash needs for general expenditures within one year.

The Foundation's endowment funds consist of donor-restricted endowments and funds designated by the Board as 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.

The board-designated endowment of \$7,751,748 and \$9,069,355 at December 31, 2018 and 2017 is subject to an annual spending rate of 3% as described in Note 7. Although the Foundation does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

The Foundation manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Foundation has a liquidity practice to maintain current financial assets less current liabilities at a minimum of 30 days operating expenses. The Foundation targets a year-end balance of reserves of unrestricted, undesignated net assets to meet 15 to 30 days of expected expenditures. To achieve these targets, the Foundation forecasts its future cash flows and monitors its liquidity monthly, and monitors its reserves monthly. During the years ended December 31, 2018 and 2017, the level of liquidity and reserves was managed within these requirements.

Simon Youth Foundation, Inc.

Notes to Financial Statements December 31, 2018 and 2017

Note 10: 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.

The related party transactions for the years ended December 31, 2018 and 2017 were:

	<u>2018</u>	<u>2017</u>
Assets		
Contributions receivables		
Simon family, Simon Property Group and related entities	\$ 135,253	\$ 198,355
Employees and board members	18,526	23,353
Malls and Academies	<u>192,958</u>	<u>46,821</u>
	<u>\$ 346,737</u>	<u>\$ 268,529</u>
Liabilities		
Accounts payable		
Simon Property Group - payroll and benefits	<u>\$ 419,171</u>	<u>\$ 425,117</u>
Revenue		
Contributions and grants		
Simon family, Simon Property Group and related entities	\$ 609,760	\$ 709,175
Employees and board members	50,729	50,668
Malls and Academies	<u>1,775,172</u>	<u>1,822,377</u>
	2,435,661	2,582,220
In-kind contributions		
Office and Academy occupancy	<u>1,486,879</u>	<u>1,470,479</u>
	<u>\$ 3,922,540</u>	<u>\$ 4,052,699</u>

Simon Youth Foundation, Inc.

Notes to Financial Statements December 31, 2018 and 2017

Note 11: Commitments

At December 31, 2018, the Foundation had conditional commitments to pay scholarships of approximately \$1,846,150 over three years, provided the students meet certain criteria. Based upon historical data and anticipated attrition rates, the Foundation anticipates realizing approximately \$1,474,215 of these scholarship commitments as of December 31, 2018. The conditional commitments by year are as follows:

	Conditional Commitment	With Attrition
2019	\$ 1,022,900	\$ 891,140
2020	545,250	453,875
2021	278,000	129,200
	<u>\$ 1,846,150</u>	<u>\$ 1,474,215</u>