

Simon Youth Foundation, Inc.

Independent Auditor's Report and Financial Statements

December 31, 2019 and 2018

Simon Youth Foundation, Inc.
December 31, 2019 and 2018

Contents

Independent Auditor’s Report..... 1

Financial Statements

Statements of Financial Position 3
Statements of Activities..... 4
Statements of Functional Expenses 5
Statements of Cash Flows 6
Notes to Financial Statements 7

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, 2019 and 2018, 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, 2019 and 2018, 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

April 7, 2020

Simon Youth Foundation, Inc.

Statements of Financial Position December 31, 2019 and 2018

Assets

	<u>2019</u>	<u>2018</u>
Cash	\$ 418,274	\$ 283,256
Investments	8,950,885	8,289,445
Contributions receivables		
Related parties	157,963	346,737
Other	299,070	383,137
Prepaid expenses and other assets	885,462	240,953
Property and equipment	<u>3,640,212</u>	<u>3,909,182</u>
Total assets	<u>\$ 14,351,866</u>	<u>\$ 13,452,710</u>

Liabilities and Net Assets

Liabilities

Accounts payable		
Related party	\$ 870,261	\$ 419,171
Trade	<u>133,531</u>	<u>209,560</u>
Total liabilities	<u>1,003,792</u>	<u>628,731</u>

Net Assets

Without donor restrictions		
Board-designated	9,859,904	8,999,773
Undesignated	<u>2,839,421</u>	<u>3,145,626</u>
	12,699,325	12,145,399
With donor restrictions		
Time-restricted for future periods	287,634	352,205
Purpose restrictions	60,632	25,892
Perpetual in nature	<u>300,483</u>	<u>300,483</u>
Total net assets	<u>13,348,074</u>	<u>12,823,979</u>
Total liabilities and net assets	<u>\$ 14,351,866</u>	<u>\$ 13,452,710</u>

Simon Youth Foundation, Inc.
Statements of Activities
Years Ended December 31, 2019 and 2018

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Contributions and grants	\$ 3,259,355	\$ 359,963	\$ 3,619,318
In-kind contributions	12,796,027	-	12,796,027
Conference registrations	16,705	-	16,705
Interest and dividends	201,430	1,928	203,358
Total revenue	<u>16,273,517</u>	<u>361,891</u>	<u>16,635,408</u>
Net assets released from restriction	400,534	(400,534)	-
Total revenue and other support	<u>16,674,051</u>	<u>(38,643)</u>	<u>16,635,408</u>
Expenses			
Educational programs	15,356,445	-	15,356,445
Fundraising	990,262	-	990,262
Management and general	588,034	-	588,034
Total expenses	<u>16,934,741</u>	<u>-</u>	<u>16,934,741</u>
Change in Net Assets Before Other Gains (Losses)	<u>(260,690)</u>	<u>(38,643)</u>	<u>(299,333)</u>
Other Gains (Losses)			
Loss on disposal of property and equipment	(77,226)	-	(77,226)
Reserve for uncollectible accounts	(16,356)	-	(16,356)
Net realized gains on investments	108,250	1,050	109,300
Net unrealized gains (losses) on investments	799,948	7,762	807,710
Total other gains (losses)	<u>814,616</u>	<u>8,812</u>	<u>823,428</u>
Change in Net Assets	553,926	(29,831)	524,095
Net Assets, Beginning of Year	<u>12,145,399</u>	<u>678,580</u>	<u>12,823,979</u>
Net Assets, End of Year	<u>\$ 12,699,325</u>	<u>\$ 648,749</u>	<u>\$ 13,348,074</u>

2018		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 3,389,037	\$ 431,031	\$ 3,820,068
10,995,684	-	10,995,684
-	-	-
132,610	3,217	135,827
<u>14,517,331</u>	<u>434,248</u>	<u>14,951,579</u>
448,614	(448,614)	-
<u>14,965,945</u>	<u>(14,366)</u>	<u>14,951,579</u>
13,659,323	-	13,659,323
1,082,180	-	1,082,180
576,746	-	576,746
<u>15,318,249</u>	<u>-</u>	<u>15,318,249</u>
(352,304)	(14,366)	(366,670)
(166,500)	-	(166,500)
(18,884)	4,792	(14,092)
336,492	3,265	339,757
<u>(935,435)</u>	<u>(9,076)</u>	<u>(944,511)</u>
<u>(784,327)</u>	<u>(1,019)</u>	<u>(785,346)</u>
(1,136,631)	(15,385)	(1,152,016)
<u>13,282,030</u>	<u>693,965</u>	<u>13,975,995</u>
<u>\$ 12,145,399</u>	<u>\$ 678,580</u>	<u>\$ 12,823,979</u>

Simon Youth Foundation, Inc.
Statements of Functional Expenses
Years Ended December 31, 2019 and 2018

	2019			
	Educational Programs	Fundraising	Management and General	Total
Personnel	\$ 583,750	\$ 399,217	\$ 469,671	\$ 1,452,638
Legal services	35,998	-	10,366	46,364
Accounting services	-	-	18,353	18,353
Printed materials and marketing	56,562	48,340	-	104,902
Supplies and maintenance	843	48,328	33,888	83,059
Telephone	26	-	5,564	5,590
Postage and shipping	2,919	6,167	213	9,299
Insurance	46,109	-	6,773	52,882
Travel	48,953	9,837	3,266	62,056
Bank charges	-	6,218	8,368	14,586
Mall events	350	163,167	-	163,517
Gala and nonmall events	-	272,751	-	272,751
Volunteer recognition	2,897	5,153	550	8,600
Academy workshops	225,312	6,105	-	231,417
Scholarships	871,391	-	-	871,391
Student and teacher enhancements	190,766	-	-	190,766
Staff development	4,140	3,970	4,756	12,866
Academy expenses	248,547	4,858	778	254,183
Occupancy	12,748,800	-	15,488	12,764,288
Depreciation	283,494	-	-	283,494
Miscellaneous	-	-	-	-
In-kind	5,588	16,151	10,000	31,739
	<u>\$ 15,356,445</u>	<u>\$ 990,262</u>	<u>\$ 588,034</u>	<u>\$ 16,934,741</u>

2018

Educational Programs	Fundraising	Management and General	Total
\$ 499,384	\$ 379,890	\$ 436,966	\$ 1,316,240
26,501	-	12,619	39,120
-	-	28,340	28,340
3,636	51,276	-	54,912
1,071	63,864	18,055	82,990
-	-	6,291	6,291
3,041	3,947	504	7,492
40,639	-	6,696	47,335
40,968	5,575	1,762	48,305
-	25	15,302	15,327
2,657	162,408	-	165,065
-	247,014	-	247,014
4,680	18,185	542	23,407
195,508	-	-	195,508
1,208,698	-	-	1,208,698
115,688	32	-	115,720
472	2,603	5,340	8,415
398,764	-	-	398,764
10,806,578	17,394	16,917	10,840,889
286,210	-	-	286,210
-	-	27,412	27,412
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>

Simon Youth Foundation, Inc.
Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	2019	2018
Operating Activities		
Change in net assets	\$ 524,095	\$ (1,152,016)
Items not requiring (providing) cash		
Depreciation	283,494	286,210
Realized gains on investments	(109,300)	(339,757)
Unrealized (gain) loss on investments	(807,710)	944,511
Loss on disposal of property and equipment	77,226	166,500
Change in		
Receivables	272,841	139,677
Prepaid expenses and other assets	(644,509)	(89,962)
Accounts payable	470,289	22,906
Net cash provided by (used in) operating activities	66,426	(21,931)
Investing Activities		
Purchases of property and equipment	(186,978)	(823,368)
Purchases of investments	(203,358)	(982,372)
Proceeds from sales of investments	458,928	1,496,000
Net cash provided by (used in) financing activities	68,592	(309,740)
Increase (Decrease) in Cash	135,018	(331,671)
Cash, Beginning of Year	283,256	614,927
Cash, End of Year	\$ 418,274	\$ 283,256
Supplemental Cash Flows Information		
Property and equipment in accounts payable	\$ -	\$ 95,228

Simon Youth Foundation, Inc.

Notes to Financial Statements December 31, 2019 and 2018

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, 2019, the Foundation's cash accounts exceeded federally insured limits by approximately \$182,000.

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, 2019 and 2018

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 2016.

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, 2019 and 2018

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, 2019 and 2018.

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 7, 2020, which is the date the financial statements were available to be issued.

There has been significant volatility in the investment markets both nationally and globally since December 31, 2019 resulting in an overall market decline, which has resulted in a substantial decline in the fair value of our investment portfolio.

Note 2: Contributions Receivables

Contributions receivables consist of the following:

	Without Donor Restriction	2019 With Donor Restriction	Total
Due within one year	\$ 145,399	\$ 347,963	\$ 493,362
Less allowance for uncollectible contributions	-	(36,329)	(36,329)
	<u>\$ 145,399</u>	<u>\$ 311,634</u>	<u>\$ 457,033</u>

Simon Youth Foundation, Inc.

Notes to Financial Statements December 31, 2019 and 2018

	Without Donor Restriction	2018 With Donor Restriction	Total
Due within one year	\$ 377,669	\$ 388,534	\$ 766,203
Less allowance for uncollectible contributions	-	(36,329)	(36,329)
	\$ 377,669	\$ 352,205	\$ 729,874

Note 3: Investments

Investments held by the Foundation at December 31, 2019 and 2018 consisted of the following:

	2019	2018
Money market mutual funds	\$ 635,924	\$ 1,243,781
Fixed income securities		
Corporate bonds	556,455	505,903
U.S. Treasury securities	606,108	445,087
Government-sponsored enterprises	650,326	643,625
Mutual funds		
Domestic	2,933,727	2,376,761
International	2,370,478	2,056,234
Multi-strategy	1,197,867	1,018,054
Total investments	\$ 8,950,885	\$ 8,289,445

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the volatility in the investment markets, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Simon Youth Foundation, Inc.

Notes to Financial Statements December 31, 2019 and 2018

Note 4: Property and Equipment

Property and equipment as of December 31, 2019 and 2018 consists of:

	<u>2019</u>	<u>2018</u>
Academy build-outs	\$ 5,423,350	\$ 5,638,470
Wishing wells	252,911	252,911
Computer equipment and software	247,492	247,492
Accumulated depreciation	<u>(2,283,541)</u>	<u>(2,229,691)</u>
	<u>\$ 3,640,212</u>	<u>\$ 3,909,182</u>

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:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose		
Scholarships	\$ 36,632	\$ 25,892
Subject to the passage of time		
Promises to give that are not restricted by donors but which are unavailable for expenditure until due	287,634	352,205
Restricted for network expansion	24,000	-
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
	<u>300,483</u>	<u>300,483</u>
	<u>\$ 648,749</u>	<u>\$ 678,580</u>

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, 2019 and 2018

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>2019</u>	<u>2018</u>
Expiration of time restrictions	\$ 388,534	\$ 405,364
Satisfaction of purpose restrictions		
Other	<u>12,000</u>	<u>43,250</u>
Total net assets released from restrictions	<u>\$ 400,534</u>	<u>\$ 448,614</u>

Board-Designated Net Assets

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

	<u>2019</u>	<u>2018</u>
Designated for endowment	\$ 8,609,629	\$ 7,751,748
Designated for scholarships	<u>1,250,275</u>	<u>1,248,025</u>
Total board-designated net assets	<u>\$ 9,859,904</u>	<u>\$ 8,999,773</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, 2019 and 2018

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, 2019 and 2018:

	Fair Value	2019 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	\$ 635,924	\$ 635,924	\$ -	\$ -
Fixed income securities				
Corporate bonds	556,455	-	556,455	-
U.S. Treasury securities	606,108	606,108	-	-
Government-sponsored enterprises	650,326	-	650,326	-
Mutual funds				
Domestic	2,933,727	2,933,727	-	-
International	2,370,478	2,370,478	-	-
Multi-strategy	1,197,867	1,197,867	-	-
	<u>\$ 8,950,885</u>	<u>\$ 7,744,104</u>	<u>\$ 1,206,781</u>	<u>\$ -</u>

Simon Youth Foundation, Inc.

Notes to Financial Statements December 31, 2019 and 2018

	2018			
	Fair Value	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>

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 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

Simon Youth Foundation, Inc.

Notes to Financial Statements December 31, 2019 and 2018

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, 2019 and 2018 was:

	2019		
	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds			
Original donor-restricted gift amount	\$ -	\$ 300,483	\$ 300,483
Accumulated investment gains	-	34,381	34,381
Board-designated endowment funds	<u>8,609,629</u>	<u>-</u>	<u>8,609,629</u>
Total endowment funds	<u>\$ 8,609,629</u>	<u>\$ 334,864</u>	<u>\$ 8,944,493</u>

	2018		
	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds			
Original donor-restricted gift amount	\$ -	\$ 300,483	\$ 300,483
Accumulated investment gains	-	22,641	22,641
Board-designated endowment funds	<u>7,751,748</u>	<u>-</u>	<u>7,751,748</u>
Total endowment funds	<u>\$ 7,751,748</u>	<u>\$ 323,124</u>	<u>\$ 8,074,872</u>

Changes in endowment net assets for the years ended December 31, 2019 and 2018 were:

	2019		
	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 7,751,748	\$ 323,124	\$ 8,074,872
Investment return			
Investment income, net of fees	207,683	2,928	210,611
Net appreciation	<u>908,198</u>	<u>8,812</u>	<u>917,010</u>
Total investment return	<u>1,115,881</u>	<u>11,740</u>	<u>1,127,621</u>
Appropriation of endowment assets for expenditure	<u>(258,000)</u>	<u>-</u>	<u>(258,000)</u>
Endowment net assets, end of year	<u>\$ 8,609,629</u>	<u>\$ 334,864</u>	<u>\$ 8,944,493</u>

Simon Youth Foundation, Inc.

Notes to Financial Statements December 31, 2019 and 2018

	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	(935,434)	(9,076)	(944,510)
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>

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.

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, 2019 or 2018.

Simon Youth Foundation, Inc.

Notes to Financial Statements December 31, 2019 and 2018

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 \$235,606 in 2019 and \$210,667 in 2018, a portion of which related to benefit plan contributions.

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, 2019 and 2018, comprise the following:

	<u>2019</u>	<u>2018</u>
Total financial assets		
Cash	\$ 418,274	\$ 283,256
Investments	8,950,885	8,289,445
Contributions receivables	457,033	729,874
	<u>9,826,192</u>	<u>9,302,575</u>
Donor-imposed restrictions		
Restricted funds	60,632	25,892
Endowments	300,483	300,483
	<u>361,115</u>	<u>326,375</u>
Internal designations		
Quasi-endowment	8,609,629	7,751,748
	<u>8,609,629</u>	<u>7,751,748</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 855,448</u>	<u>\$ 1,224,452</u>

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.

Simon Youth Foundation, Inc.

Notes to Financial Statements December 31, 2019 and 2018

The board-designated endowment of \$8,609,629 and \$7,751,748 at December 31, 2019 and 2018 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. To achieve these principles, the Foundation forecasts its future cash flows and monitors its liquidity monthly, and monitors its reserves monthly.

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.

Simon Youth Foundation, Inc.

Notes to Financial Statements December 31, 2019 and 2018

The related party transactions for the years ended December 31, 2019 and 2018 were:

	2019	2018
Assets		
Contributions receivables		
Simon family, Simon Property Group and related entities	\$ 40,920	\$ 135,253
Employees and board members	7,434	18,526
Malls and Academies	109,609	192,958
	\$ 157,963	\$ 346,737
Liabilities		
Accounts payable		
Simon Property Group - payroll and benefits	\$ 870,261	\$ 419,171
Revenue		
Contributions and grants		
Simon family, Simon Property Group and related entities	\$ 709,853	\$ 609,760
Employees and board members	33,285	50,729
Malls and Academies	1,766,464	1,775,172
	2,509,602	2,435,661
In-kind contributions		
Office and Academy occupancy	1,492,319	1,486,879
	\$ 4,001,921	\$ 3,922,540

Note 11: Commitments

At December 31, 2019, the Foundation had conditional commitments to pay scholarships of approximately \$940,250 over three years, provided the students meet certain criteria. Based upon historical data and anticipated attrition rates, the Foundation anticipates realizing approximately \$733,250 of these scholarship commitments as of December 31, 2019. The conditional commitments by year are as follows:

	Conditional Commitment	With Attrition
2020	\$ 475,250	\$ 475,250
2021	317,500	182,500
2022	147,500	75,500
	\$ 940,250	\$ 733,250