SOUTHSIDE EARLY CHILDHOOD CENTER AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2018

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BROWN SMITH WALLACE
6 CITYPLACE DRIVE SUITE 900 ST. LOUIS, MO 63141 PH 314.983.1200 FX 314.983.1300 BROWNSMITHWALLACE.COM

Independent Auditor's Report

Board of Trustees
SouthSide Early Childhood Center and Subsidiary
St. Louis, Missouri

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of SouthSide Early Childhood Center and Subsidiary (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities, functional expenses, and cash flow for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated 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 Organization'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of SouthSide Early Childhood Center as of December 31, 2018 and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedules of consolidating statements of financial position and activities are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the basic consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Brown Smith Wallace, LLP

St. Louis, Missouri
April 10, 2019

SOUTHSIDE EARLY CHILDHOOD CENTER AND SUBSIDIARY

Consolidated Statement of Financial Position

December 31, 2018

ASSETS		
Current Assets		
Cash and cash equivalents	$	**810,352**
Accounts receivable		**85,077**
Promises to give		**450,379**
Prepaid expenses		**47,324**
Total Current Assets		**1,393,132**
Investments		**30,263**
New Markets Tax Credits Note Receivable		**2,720,800**
Land, Building, and Equipment, net		**3,921,337**
TOTAL ASSETS	**$**	**8,065,532**
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	**$**	**58,453**
Accrued expenses		**20,321**
Accrued payroll		**72,848**
Deferred revenue		**10,250**
Total Current Liabilities		**161,872**
New Markets Tax Credits Note Payable A		**2,720,800**
New Markets Tax Credits Note Payable B		**1,119,200**
Less structuring fees		**53,236**
		3,786,764
Total Liabilities		**3,948,636**
NET ASSETS		
Without Donor Restrictions		**3,381,716**
With Donor Restrictions		**735,180**
Total Net Assets		**4,116,896**
TOTAL LIABILITIES AND NET ASSETS	**$**	**8,065,532**

These accompanying notes are an integral part of these consolidated financial statements.

SOUTHSIDE EARLY CHILDHOOD CENTER AND SUBSIDIARY

Consolidated Statement of Activities
Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Contributions and grants	$ 362,540	$ 628,299	$ 990,839
Contributions in-kind	10,031	-	10,031
Fees and contracts from governmental agencies	1,020,145	-	1,020,145
Program service fees	388,545	-	388,545
United Way of Greater St. Louis, Inc.	55,751	212,832	268,583
Special events, net of direct expenses of $98,775	291,812	-	291,812
Other income	796	246	1,042
Net assets released from restrictions	811,204	(811,204)	-
Total support and revenue	2,940,824	30,173	2,970,997
Expenses and Losses:			
Program services	2,600,578	-	2,600,578
Management and general	182,369	-	182,369
Fundraising	186,677	-	186,677
Total expenses	2,969,624	-	2,969,624
CHANGE IN NET ASSETS	(28,800)	30,173	1,373
Net assets at beginning of year	3,410,516	705,007	4,115,523
Net assets at end of year	$ 3,381,716	$ 735,180	$ 4,116,896

The accompanying notes are an integral part of these consolidated financial statements.

SOUTHSIDE EARLY CHILDHOOD CENTER AND SUBSIDIARY

Consolidated Statement of Functional Expenses

Year Ended December 31, 2018

	Program Services	Supporting Services: Management And General	Supporting Services: Fund-Raising	Total Expenses
Salaries	$ 1,523,060	$ 53,902	$ 101,300	$ 1,678,262
Employee benefits	164,951	5,838	10,971	181,760
Payroll taxes and workmen's compensation	134,610	4,764	8,953	148,327
Total salaries and related expenses	1,822,621	64,504	121,224	2,008,349
Program supplies	302,260	-	-	302,260
Professional fees	38,225	85,409	35,123	158,757
Maintenance and repairs	126,720	6,301	6,301	139,322
Depreciation	124,172	6,174	6,174	136,520
Special event expense	-	-	98,775	98,775
Occupancy	71,005	3,530	3,530	78,065
Supplies	31,522	3,471	3,471	38,464
New Market Tax Credit amortization	30,582	1,521	1,520	33,623
Printing and publications	21,326	-	8,870	30,196
Conferences, conventions, and meetings	20,616	4,140	-	24,756
Interest	9,099	452	452	10,003
Miscellaneous	2,430	6,867	12	9,309
Total expenses by function	2,600,578	182,369	285,452	3,068,399
Less expenses included with revenues on the statement of activities				
Special event expense	-	-	(98,775)	(98,775)
Total expenses included on the statement of activities	$ 2,600,578	$ 182,369	$ 186,677	$ 2,969,624

The accompanying notes are an integral part of these consolidated financial statements.

SOUTHSIDE EARLY CHILDHOOD CENTER AND SUBSIDIARY

Consolidated Statement of Cash Flows

Year Ended December 31, 2018

Cash flows from operating activities:		
Change in net assets	**$**	**1,373**
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation		**136,520**
New Market Tax Credits amortization		**33,623**
(Increase) decrease in operating assets:		
Accounts receivable		**(2,568)**
Promises to give		**(69,847)**
Prepaid expenses		**(16,739)**
Increase (decrease) in operating liabilities:		
Accounts payable		**15,441**
Accrued expenses		**85**
Accrued payroll		**15,527**
Deferred revenue		**(19,250)**
Net cash provided by operating activities		**94,165**
Cash flows from investing activities:		
Payments for property and equipment		**(46,608)**
Reinvestment of dividends and interest		**(246)**
Net cash used in investing activities		**(46,854)**
INCREASE IN CASH AND CASH EQUIVALENTS		**47,311**
Cash and cash equivalents at beginning of year		**763,041**
Cash and cash equivalents at end of year	**$**	**810,352**
Supplemental Cash Flow Information		
Interest Paid	**$**	**10,003**

The accompanying notes are an integral part of these consolidated financial statements.

Note A - Nature of the Organization

SouthSide Early Childhood Center (the "Organization" or "SouthSide") was founded in 1886 as South Side Day Nursery by 15 Unitarian women with the mission to "prevent pauperism by assisting breadwinners with young children on their hands to earn an honest living." Today the Organization's mission is to nurture, educate, and inspire children and families in a diverse and inclusive environment, promoting healthy development and a strong foundation for success.

SouthSide is committed to providing every child with the skills he or she needs to succeed in kindergarten and beyond. This commitment starts with our dedication to diversity in all forms: racial, ethnic, economic and developmental. The educational programs offered are a critically important first "block" in building a strong foundation for success in school. Full-day, full-year early childhood education and child care is provided for up to 144 children, ages six weeks through five years of age. The program improves language and literacy skills, increasing the likelihood that children will read at grade level by the end of their kindergarten year; and increases the probability a child will graduate from high school and have increased earning power as an adult. Social-emotional skill development is a focus of the program and results in increased readiness for the routine and social environment of elementary school.

The Organization also provides much-needed family support services to parents, including monthly meetings and educational workshops, nutrition education, and connections to health, employment, housing and legal services through community partnerships.

The Organization receives funding through Head Start and Early Head Start partnerships, state child care subsidy, United Way funding and parent fees. To bridge the gap between the cost of services and the revenues received, the Organization raises contributions annually from individuals, corporations, organizations and foundations.

The Organization established an entity called Friends of SouthSide as part of the New Markets Tax Credits ("NMTC") transaction, which provided funding for the Organization's new early childhood center facility in 2013. Friends of SouthSide ("FOSS") is a sole member organization controlled by SouthSide Early Childhood Center. See Note J for additional information on the NMTC.

Note B - Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The consolidated financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities. Revenues and expenses are recognized in the period in which they are earned or incurred. The Organization is required to report information regarding its financial position and activities according to two classes of net assets as follows:

Net Assets Without Donor Restrictions – Those resources over which the Board has discretionary control. Designated amounts represent those resources that the Board has set aside for a particular purpose. At December 31, 2018, Board designated funds in the amount of $164, 566 were set aside for future capital expenditures.

Net Assets With Donor Restrictions – Net assets 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 specific by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Principles of Consolidation

The consolidated financial statements include the accounts of the SouthSide Early Childhood Center and Friends of SouthSide, collectively referred to as the Organization. All significant intercompany accounts and transactions have been eliminated.

Use of Estimates in Financial Statement Preparation

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the condition on which they depend have been substantially met.

Note B - Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

SouthSide considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

Cash and cash equivalents also include NMTC cash in bank accounts as part of the NMTC transaction. Separate cash accounts are required to track NMTC activity in order to comply with NMTC regulations. The NMTC cash balance as of December 31, 2018 is $15,386.

SouthSide manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, SouthSide has not experienced losses in any of these accounts.

See Note J for additional background information on the New Markets Tax Credits transaction.

Accounts Receivable

Accounts receivable are expected to be collected within one year; therefore, management does not consider an allowance for uncollectible receivables to be necessary.

Promises to Give

Promises to give are recognized in the period the contribution or promise is made. Unconditional promises expected to be collected in future years are recorded at the present value of expected cash flows. The cash flows are discounted at an incremental borrowing rate. Promises to give are expected to be collected within one year; therefore, management does not consider an allowance for uncollectible promises to be necessary.

Note B - Summary of Significant Accounting Policies (Continued)

New Market Tax Credit Note Receivable

Note receivables are carried at the unpaid principal balance. Management does not consider an allowance for uncollectible receivable to be necessary. Interest on note is recognized over the term of the note.

Land, Building and Equipment

Purchases of property and equipment with a value of $2,000 or more are capitalized, while all other purchases are recorded as an expense in the year purchased. Property and equipment is recorded at cost, if purchased, or estimated fair value on date of receipt, if donated.

Depreciation and amortization is provided on the straight-line method over the estimated useful lives of each asset, which range from three to forty years.

Structuring Fees

The Organization's structuring fees are related to the NMTC transaction. These are recorded at cost and are amortized over seven years, the tax credit investment compliance period. In 2016, the Organization adopted Accounting Standards Update 2015-03, *Interest – Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs* regarding the presentation on the statement of financial position of the costs of structuring debt and related amortization expense in the statement of activities. The guidance requires presenting such unamortized costs as a direct deduction from the face amount of the debt. As of December 31, 2018, net carrying amount of structuring fees were $53,236. Amortization recorded as interest expense was $33,623 for the year ended December 31, 2018.

Income Taxes

The Organization constitutes a qualified not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and is, therefore, exempt from federal income taxes. Contributions to the organization are tax deductible to donors under Section 170 of the IRC. The Organization is not classified as a private foundation.

The Organization has evaluated its tax positions, expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings, and believes that no provisions for income taxes is necessary at this time to cover any uncertain tax positions.

Note B - Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Costs are allocated based on methodology most appropriate for the expense. Occupancy, depreciation, and interest costs are allocated based on actual square footage occupied by a various function. Other indirect costs that cannot be based on occupancy ratios are allocated based on estimates of time and effort.

Donated Services and Goods

The Organization records donated services and goods in accordance with FASB ASC 958-605, *Revenue Recognition*. As such, donated services are recognized when the service either creates or enhances a non-financial asset or requires specialized skill that would be purchased if the service was not donated. During the year ended December 31, 2018, the Organization received donated services and goods valued at $10,031.

Additionally, the Organization tracks donated volunteer time received that neither enhances a non-financial asset nor requires a specialized skill. Because these donations do not meet the criteria under FASB ASC 958-605, they are not recorded for financial statement purposes. These donations have an estimated fair value of $216,043 for the year ended December 31, 2018.

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. SouthSide implemented ASU 2016-14 and adjusted the presentation in these consolidated financial statements accordingly. The implementation of the ASU required a reclassification of beginning net asset classes. This reclassification increased net assets without donor restrictions by $2,120,629 and decreased net assets with donor restrictions by the same amount.

Subsequent Events

The Organization evaluated all subsequent events through April 10, 2019, the date the consolidated financial statements were available to be issued.

Note C - Liquidity and Availability

Financial assets, excluding assets with donor restrictions limiting their use, that are available for general expenditure within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	$	794,966
Accounts receivable		85,077
Promises to give		450,379
		1,330,422
Less: donor restrictions due to purpose		326,803
Less: Board designated cash for capital expenditures		164,566
	$	839,053

In addition to the aforementioned assets available for operations, the Organization also has an $80,000 line of credit available to be used to cover cash flow needed for operations.

The financial assets above exclude $326,803 received as of December 31, 2018 that are restricted for specified purposes. These funds are available to be used within one year of the statement of financial position date for the specified purposes in the operations of the Organization.

Should SouthSide have additional cash needs, the Board of Directors would have additional cash currently designated for capital expenditures available to be released for expenditure, pending Board approval.

Note D - Land, Building, and Equipment

Property and equipment consist of the following at December 31, 2018:

Land	$	652,383
Building and playground		3,532,161
Furniture, equipment		315,942
		4,500,486
Less accumulated depreciation and amortization		(579,149)
Property and equipment, net	$	3,921,337

Depreciation expense was $136,520 for the year ended December 31, 2018.

Note E - Line-of-Credit

The Organization has an $80,000 line-of-credit available at a local financial institution, which matures on June 13, 2019. When funds are drawn on this line, interest is payable monthly. The interest is subject to the prime rate or 5.50% as of December 31, 2018. Any outstanding balance is payable at maturity. The note is collateralized by a money market account at the same financial institution. At December 31, 2018, there was no balance outstanding on the line.

Note F - Notes Payable

Maturities of long-term debt are as follows:

Maturity Schedule	Note A	Note B	Total
2019	$ -	$ -	$ -
2020	2,720,800	1,119,200	3,840,000
	$ 2,720,800	$ 1,119,200	$ 3,840,000

See Note J for details on NMTC Notes Payable Note A and B.

Note G - Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at December 31, 2018:

Time restrictions	$ 378,377
Program restrictions	326,540
Endowment principal (perpetual)	30,000
Endowment earnings	263
	$ 735,180

Net assets released as of December 31	
Time restrictions	$ 383,387
Program restrictions	427,817
Total net assets released	$ 811,204

Note H - Benefit Plan

The Organization has a 401(k)-profit sharing plan where eligible employees can contribute a percentage of their annual compensation not to exceed federal limits. The Organization made no contribution to the plan for the year ended December 31, 2018.

Note I - Concentration of Income Sources

In 2018, the Organization received approximately 35%, of its total support and revenue from two sources.

Note J - New Markets Tax Credits Transaction

Background

New Markets Tax Credits are tax credits created by the federal government in 2000 and renewed each year thereafter to help encourage sustained investment in low-income communities. The purpose is to provide investors with a financial incentive (a tax credit) to invest in projects being built in low-income communities. Investors receive a 39% federal tax credit earned over a seven-year period (the compliance period). The NMTC transaction provided a mechanism for SouthSide to receive funding towards the construction of a new building.

SouthSide NMTC Structure and Partners

SouthSide entered into a NMTC transaction with U.S. Bancorp Community Development Corporation ("USBCDC"), the "investor" of the tax credits, and Saint Louis Development Corporation ("SLDC or SLDC CDE"), an entity making community investment loans to Southside. FOSS was the "Leverage Lender" in the NMTC transaction.

NMTC Note Receivable

SouthSide made an initial investment in Friends of SouthSide with cash generated by SouthSide's capital campaign proceeds in the amount of $1,325,800. Additionally, Capital Campaign pledges totaling $1,458,035 made to SouthSide were assigned to Friends of SouthSide. Friends of SouthSide borrowed $1,500,000 from Enterprise Bank and Trust using the Capital Campaign pledges as collateral. With these loan funds and cash, Friends of SouthSide made a $2,720,800 loan, due July 2048, to St. Louis SLDC NMTC Fund=XXIX, LLC. This fund was used to lend funds to SouthSide through SLDC. FOSS paid the loan in full as of December 31, 2016.

During the time frame from July 2013 through July 2020, SLDC will make interest-only payments at the interest rate of 0.96903% with all principal being due subsequent to this time frame.

Note J - New Markets Tax Credits Transaction (Continued)

Building Fund

USBCDC made a net investment of $1,119,200 into the St Louis SLDC CDE NMTC Fund by purchasing the seven-year tax credits made available through the SLDC for SouthSide's new building project. The combined investment amounts of both Friends of Southside and USBCDC, which total $3,840,000, fund the notes from the SLDC CDE to SouthSide.

SouthSide incurred $234,671 in structuring fees associated with structuring the NMTC and paid off a $421,896 loan from IFF to purchase the land for the new building, leaving $3,194,308 of funds to be used for the sole purpose of constructing a new building for SouthSide.

New Markets Tax Credits - Notes Payable

As a component of the NMTC transaction, SouthSide received two loans from the SLDC CDE totaling $3,840,000 (Note A - $2,720,800 and Note B - $1,119,200) on July 17, 2013. SouthSide is obligated to make monthly interest payments, at an interest rate of 0.96903%, during the seven-year NMTC compliance period which is expected to end July 18, 2020.

Option Agreement

Simultaneous with the above transactions, SouthSide entered into a Put and Call Option Agreement with USBCDC (the sole investor in the fund) to put the ownership interest in the Fund for $1,000 commencing on July 18, 2020; the first day after the seven-year tax credit investment compliance period. Exercising of the Option will effectively extinguish SouthSide's outstanding debt owed to the SLDC CDE. All entities related to the structure (including the SLDC CDE Investment Fund) will then be effectively dissolved, thus ending the structured financing deal.

Should the structure not dissolve, SouthSide will make principal and interest payments until the loans mature on July 31, 2048. The probability of the loans extending past the seven-year compliance period is very low provided that SouthSide utilizes the new building in accordance with the original intent in the NMTC allocation as a qualified low- income community business.

Note K - Endowment Funds

The Organization's endowment was established in 2017 and includes funds designated by the Board of Trustees and donors to function as endowments. As required by accounting standards, net assets associated with endowment funds, including funds designated by the Board of Trustees and donors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment and similar funds are invested under the direction of the Board of Trustees to achieve maximum long-term total return with prudent concern for the preservation of investment capital. All investments of endowment and similar funds are recorded in the statement of financial position as long-term investments, including cash balances held by external investment managers. As of December 31, 2018, the endowment funds were held in money market accounts totaling $30,263, with no endowment funds being underwater.

Interpretation of Relevant Law

The Board of Trustees of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the 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 Organization classifies gifts perpetual in nature as a gift 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 direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not held in perpetuity is also classified as net asset with donor restriction until those amounts are appropriated for expenditure by the Trustees in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Trustees consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) the duration and preservation of the funds,

(2) the purposes of the Organization and the donor-restricted endowment funds,

(3) general economic conditions,

(4) the possible effect of inflation and deflation,

(5) the expected total return from income and appreciation of investments,

(6) other resources of the Organization and,

(7) the investment policies of the Organization.

Note K - Endowment Funds (Continued)

As of December 31, 2018, the endowment net asset composition by type and fund consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds	**$ -**	**$ 30,263**	**$ 30,263**
Total funds	**$ -**	**$ 30,263**	**$ 30,263**

The following is a reconciliation of the beginning and ending balance of the Organization's endowment net assets for the year ended December 31, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, January 1, 2018	**$ -**	**$ 30,017**	**$ 30,017**
Contributions	**-**	**-**	**-**
Interest and dividends	**-**	**246**	**246**
Endowment net assets, December 31, 2018	**$ -**	**$ 30,263**	**$ 30,263**

Return Objectives, Risk Parameters, and Strategies for Achieving Objectives

The purpose of the endowment fund is to manage, grow, and distribute amounts according to the Organization's policy. The assets of the endowment fund can be viewed as short-term and long-term in nature. The investment strategy for short-term funds focuses on a "Conservative Investment Account Profile." The strategy for investing these funds will focus primarily on principal preservation and liquidity. Diversification of risk, preservation of purchasing power, and generating reliable sources of interest income are also important considerations. The investment strategy for long-term funds focuses on a "Balance Investment Account Profile". The strategy for investing these funds will focus on a balance of long-term growth of capital plus generation of interest and dividend income. The objective is to achieve overall returns that outpace inflation, while diversifying risk and minimizing capital losses.

Note K - Endowment Funds (Continued)

Strategies Employed For Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on returns from the investment's current yield (interest). The Organization specifically targets money market funds and mutual funds for its objectives.

Spending Policy and How the Investment Objectives Relate to Spending Policy

In 2017, the Board of Trustees revised and adopted the Organization's spending policy in the newly adopted investment policy. The new policy states that for the foreseeable future, the endowment is expected to be focused on achieving prudent growth and reinvesting its gains and income, until the endowment's assets exceed at least $1.0 million. At such time as deemed appropriate, it will be the Trustees' responsibility to approve an annual spending allowance. As such, all earnings in the endowment for the year ended December 31, 2018 remain in net assets with donor restrictions until such appropriation is made by the Trustees.

Supplemental Information

SOUTHSIDE EARLY CHILDHOOD CENTER AND SUBSIDIARY

Consolidating Statement of Financial Position

December 31, 2018

	SSEC	FOSS	Eliminations	Consolidated
ASSETS				
Current Assets				
Cash and cash equivalents	$ 645,786	$ 164,566	$ -	$ 810,352
Accounts receivable	85,077	-	-	85,077
Promises to give	450,379	-	-	450,379
Prepaid expenses	47,324	-	-	47,324
Total Current Assets	1,228,566	164,566	-	1,393,132
Investments	30,263	-	-	30,263
New Markets Tax Credits Note Receivable	-	2,720,800	-	2,720,800
Land, Building, and Equipment, net	3,921,337	-	-	3,921,337
TOTAL ASSETS	$ 5,180,166	$ 2,885,366	$ -	$ 8,065,532
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable	$ 58,453	$ -	$ -	$ 58,453
Accrued expenses	20,321	-	-	20,321
Accrued payroll	72,848	-	-	72,848
Deferred revenue	10,250	-	-	10,250
Total Current Liabilities	161,872	-	-	161,872
New Markets Tax Credits Note Payable A	2,720,800	-	-	2,720,800
New Markets Tax Credits Note Payable B	1,119,200	-	-	1,119,200
Less structuring fees	53,236	-	-	53,236
	3,786,764	-	-	3,786,764
Total Liabilities	3,948,636	-	-	3,948,636
NET ASSETS				
Without Donor Restrictions	496,350	2,885,366	-	3,381,716
With Donor Restrictions	735,180	-	-	735,180
Total Net Assets	1,231,530	2,885,366	-	4,116,896
TOTAL LIABILITIES AND NET ASSETS	$ 5,180,166	$ 2,885,366	$ -	$ 8,065,532

SOUTHSIDE EARLY CHILDHOOD CENTER AND SUBSIDIARY

Consolidating Statement of Activities
Year Ended December 31, 2018

	SSEC	FOSS	Eliminations	Consolidated
Change in net assets without donor restrictions:				
Revenue, support, and gains/losses without donor restrictions:				
Contributions	$ 362,540	$ -	$ -	$ 362,540
Contributions in-kind	10,031	-	-	10,031
Fees and grants from governmental agencies	1,020,145	-	-	1,020,145
Program service fees	426,526	27,208	(65,189)	388,545
United Way of Greater St. Louis, Inc.	55,751	-	-	55,751
Special events, net of direct expenses of $98,775	291,812	-	-	291,812
Other income	638	158	-	796
Net assets released from restrictions	811,204	-	-	811,204
Total revenue, support, and gain/losses without donor restrictions	2,978,647	27,366	(65,189)	2,940,824
Expenses without donor restrictions:				
Program services	2,627,786	37,981	(65,189)	2,600,578
Management and general	182,369	-	-	182,369
Fundraising	186,677	-	-	186,677
Total expenses without donor restrictions	2,996,832	37,981	(65,189)	2,969,624
Change in net assets without donor restrictions	(18,185)	(10,615)	-	(28,800)
Change in net assets with donor restrictions				
Contributions	628,299	-	-	628,299
United Way of Greater St. Louis, Inc.	212,832	-	-	212,832
Endowment earnings	246	-	-	246
Net assets released from restrictions	(811,204)	-	-	(811,204)
Change in net assets with donor restrictions	30,173	-	-	30,173
Change in net assets	11,988	(10,615)	-	1,373
Net assets, beginning of year	1,219,542	2,895,981	-	4,115,523
Net assets, end of year	$ 1,231,530	$ 2,885,366	$ -	$ 4,116,896