
**UNIVERSITY CITY CHILDREN'S CENTER
AND SUBSIDIARY**

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

UNIVERSITY CITY CHILDREN'S CENTER

DECEMBER 31, 2020 AND 2019

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Kiefer | Bonfanti & Co. LLP
Certified Public Accountants & Business Advisors

701 Emerson Road, Suite 201
St. Louis, MO 63141
314.812.1100
kiefersonfanti.com



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
University City Children's Center and Subsidiary

We have audited the accompanying consolidated financial statements of **University City Children's Center and Subsidiary** (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated 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 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of 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 auditors' 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 auditors consider internal control relevant to the entity'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 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 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 financial position of **University City Children's Center and Subsidiary** as of December 31, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 11 to the financial statements, UCCC has been impacted by the effects of the world-wide coronavirus pandemic. Our opinion is not modified with respect to that matter.

Kiefer Bonfanti & Co. LLP

St. Louis, Missouri
April 19, 2021

UNIVERSITY CITY CHILDREN'S CENTER AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Assets	December 31,	
	2020	2019
Current Assets		
Cash and cash equivalents	\$ 901,053	\$ 608,311
Receivable from United Way of Greater St. Louis, Inc.	135,793	146,803
Pledges and grants receivable	41,461	96,054
Accounts receivable, net of allowance of \$23,142 and \$16,034 in 2020 and 2019, respectively	61,036	117,508
Other current assets	10,641	4,228
Total Current Assets	1,149,984	972,904
Pledges and Grants Receivable, Non-Current	-	20,000
Property and Equipment, Net	658,770	803,560
Total Assets	\$ 1,808,754	\$ 1,796,464

Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 80,586	\$ 97,650
Accrued salaries	59,551	109,750
Accrued and withheld taxes	5,757	26,849
Deferred revenue	75,148	42,402
Current portion of long-term debt	2,323	-
Total Current Liabilities	223,365	276,651
Other Liabilities		
Note payable	150,102	-
Deferred rent liability	77,778	103,003
Total Other Liabilities	227,880	103,003
Total Liabilities	451,245	379,654
Net Assets		
Without donor restrictions	918,510	720,668
With donor restrictions	438,999	696,142
Total Net Assets	1,357,509	1,416,810
Total Liabilities and Net Assets	\$ 1,808,754	\$ 1,796,464

UNIVERSITY CITY CHILDREN'S CENTER AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITIES

	Years Ended December 31,	
	2020	2019
Without Donor Restrictions		
Support and Revenue		
Program service fees - private	\$ 1,331,161	\$ 1,969,374
Program service fees - government programs	435,658	480,576
Less tuition assistance	(225,773)	(293,422)
Program service fees, net of tuition assistance	1,541,046	2,156,528
Contributions	441,771	544,133
Grants	356,041	78,083
Special events	195,115	138,001
Consulting fees	249,362	277,150
Paycheck protection program loan forgiven	526,900	-
Other unrestricted revenue	18,190	5,446
Support and Revenues Available	3,328,425	3,199,341
Net assets released from restrictions	576,537	414,469
Total Support and Revenue Without Donor Restrictions	3,904,962	3,613,810
Expenses		
Program services	3,037,373	3,289,927
Management and general	381,195	299,922
Fundraising	288,552	320,498
Total Expenses	3,707,120	3,910,347
Increase (Decrease) in Net Assets Without Donor Restrictions	197,842	(296,537)
With Donor Restrictions		
United Way of Greater St. Louis, Inc.	135,793	146,803
Other restricted contributions	183,601	289,457
Net assets released from restrictions	(576,537)	(414,469)
Increase (Decrease) in Net Assets With Donor Restrictions	(257,143)	21,791
Decrease in Net Assets	(59,301)	(274,746)
Net Assets, Beginning of Year	1,416,810	1,691,556
Net Assets, End of Year	\$ 1,357,509	\$ 1,416,810

UNIVERSITY CITY CHILDREN'S CENTER AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31,

	2020				2019			
	Program services	Mgmt and General	Fundraising	Total	Program services	Mgmt and General	Fundraising	Total
Salaries	\$ 1,910,532	183,038	145,632	\$ 2,239,202	\$ 2,008,027	187,614	191,886	\$ 2,387,527
Employee health and retirement benefits	310,681	13,693	14,858	339,232	299,366	15,660	13,602	328,628
Payroll taxes	121,656	11,953	11,108	144,717	156,465	14,026	15,215	185,706
Total salaries and related expenses	2,342,869	208,684	171,598	2,723,151	2,463,858	217,300	220,703	2,901,861
Professional fees and contract service payments	60,007	125,254	55,176	240,437	38,466	13,182	28,236	79,884
Occupancy	173,579	13,517	3,836	190,932	215,179	21,347	7,868	244,394
Less: shared occupancy costs	18,240	(8,311)	(9,929)	-	4,560	(2,078)	(2,482)	-
Supplies	151,277	5,362	159	156,798	224,111	5,803	12,992	242,906
Information technology	42,509	4,010	4,154	50,673	39,675	4,220	4,070	47,965
Office expenses	13,534	6,056	21,242	40,832	24,451	9,525	7,413	41,389
Bank & merchant card fees	26,661	2,721	2,686	32,068	39,477	2,494	1,453	43,424
Special events	2,499	465	21,551	24,515	689	-	19,213	19,902
Other	16,825	958	3,037	20,820	30,573	5,617	15	36,205
Insurance	15,848	1,311	457	17,616	17,516	1,373	517	19,406
Advertising and promotion	-	5,313	5,277	10,590	2,182	1,741	2,200	6,123
Travel	3,644	164	991	4,799	13,780	1,444	1,048	16,272
Professional development	3,894	750	-	4,644	5,761	608	-	6,369
Conferences, conventions, and meetings	49	-	3,941	3,990	5,425	425	12,894	18,744
Interest	2,317	82	27	2,426	-	2,000	-	2,000
Total Expenses Before Depreciation	2,873,752	366,336	284,203	3,524,291	3,125,703	285,001	316,140	3,726,844
Depreciation	163,621	14,859	4,349	182,829	164,224	14,921	4,358	183,503
Total Expenses	\$ 3,037,373	381,195	288,552	\$ 3,707,120	\$ 3,289,927	299,922	320,498	\$ 3,910,347
% of Total Expenses	81.9%	10.3%	7.8%	100.0%	84.1%	7.7%	8.2%	100.0%

UNIVERSITY CITY CHILDREN'S CENTER AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2020	2019
Cash Flows from Operating Activities		
Decrease in net assets	\$ (59,301)	\$ (274,746)
Adjustments:		
Depreciation	182,829	183,503
Paycheck protection program loan forgiven	(526,900)	-
(Increase) decrease in operating assets		
Receivable from United Way of Greater St. Louis, Inc.	11,010	4,589
Pledges and grants receivable	74,593	154,306
Accounts receivable	56,472	51,816
Other current assets	(6,413)	9,852
Cash surrender value of life insurance	-	69,334
(Increase) decrease in operating liabilities		
Accounts payable and accrued expenses	(17,064)	26,529
Accrued salaries	(50,199)	(73,649)
Accrued and withheld taxes	(21,092)	(2,941)
Deferred revenue	32,746	3,857
Deferred rent liability	(25,225)	(22,710)
Net Cash Provided (Used) by Operating Activities	(348,544)	129,740
Cash Flows from Investing Activities		
Purchase of property and equipment	(38,039)	(27,028)
Net Cash Used by Investing Activities	(38,039)	(27,028)
Cash Flows from Financing Activities		
Proceeds from paycheck protection program loan	526,900	-
Proceeds from issuance of note payable	152,425	-
Net Cash Provided by Financing Activities	679,325	-
Net Increase in Cash and Cash Equivalents	292,742	102,712
Cash and cash equivalents, beginning of year	608,311	505,599
Cash and Cash Equivalents, End of Year	\$ 901,053	\$ 608,311

Supplemental Disclosure of Cash Flows

Interest paid	\$ 2,426	\$ 2,000
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

BUSINESS DESCRIPTION AND PRINCIPLES OF CONSOLIDATION

University City Children's Center is a not-for-profit organization whose two programs are its innovative early childhood education center (the Center) and LUME Institute, LLC (LUME). The accompanying financial statements consolidate the financial position, activities, functional expenses, and cash flows of the Center and LUME (collectively, UCCC). All intercompany transactions have been eliminated in the consolidation.

The Center provides innovative, quality care, and education to a racially, culturally, developmentally, and socio-economically diverse population of children between the ages of six weeks and six years in a nurturing environment that provides supportive services to families. The Center serves children from over 30 zip codes in the St. Louis metropolitan area and is supported through private and government program service fees, contributions, and grants from private foundations, state government agencies, and the United Way of Greater St. Louis, Inc.

LUME seeks to transform the way families, educators, and communities inspire young children to learn, grow and thrive. LUME provides professional development for current and aspiring early childhood educators, and hosts workshops and other events to help parents and other participants support the growth and development of children.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

UCCC uses the accrual method of accounting.

Financial Statement Presentation

UCCC reports its information regarding financial position and activities according to the following net asset classifications:

Net assets without donor restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of UCCC. These net assets may be used at the discretion of UCCC's management and board of directors.

Net assets with donor restrictions

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of UCCC or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. There were no donor restrictions perpetual in nature at December 31, 2020 and 2019.

Estimates

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

Cash and Cash Equivalents

For purposes of the statement of cash flows, UCCC considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Notes to Consolidated Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable arise in the normal course of operations. UCCC actively pursues past due accounts and provides an allowance for doubtful accounts based on historical experience and management's analysis of the current status of existing receivables. UCCC considers any accounts receivable older than 30 days to be past due, and charges off accounts receivable when all collection efforts have been unsuccessful, and management believes there is no chance for collection. Accounts receivable older than 90 days at December 31, 2020 and 2019 amounted to \$21,438 and \$28,589, respectively. Bad debt expense for the years ended December 31, 2020 and 2019 was \$12,750 and \$23,341, respectively.

Property and Equipment

Property and equipment are stated at cost, or fair market value if donated, less accumulated depreciation and amortization computed on the straight-line method over estimated useful lives of 3 to 20 years.

Contributions

Contributions that are not specifically restricted by the donor are considered to be available for use at the discretion of UCCC's management and board of directors. Contributions that are received with donor-imposed restrictions that limit the use of the donated assets are initially recorded in net assets with donor restrictions. When the restrictions are satisfied, the donated assets are recorded as net assets released from restrictions on the statement of activities and are reclassified to net assets without donor restrictions on the statement of financial position. If the restriction is satisfied in the same period in which the contribution is received, UCCC may report the contribution as unrestricted. Unconditional promises to make contributions are accrued at estimated fair value at the date each promise is received and are included in net assets with donor restrictions.

Revenue and Revenue Recognition

UCCC receives revenue from tuition, consulting services, contributions, and ticket sales from special events. UCCC recognizes revenue from tuition and consulting fees during the period in which the related services are provided. Payments received in advance of the period in which services are provided, including deposits, are deferred to the applicable period. Tuition assistance is recorded as a reduction from posted tuition rates in the period that the related tuition revenue is recognized.

UCCC recognizes contributions when cash, securities or other assets, unconditional promises to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. There were no conditional promises to give for the years ended December 31, 2020 and 2019.

UCCC recognizes revenue from ticket sales during the period in which the special event takes place.

Notes to Consolidated Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses

The costs of programs and supporting services activities have been summarized on a functional basis in the statement of activities. The statements of functional expenses present the expenses by function. Certain costs are classified as program or supporting services based on the nature of the expense. Other costs have been allocated among the programs and supporting services as determined by management on an equitable basis.

Expenses are classified as follows:

Expense	Method of Allocation
Salaries and related expenses	Direct costs, time and effort
Professional fees & contract service payments	Direct costs
Occupancy	Square footage
Supplies	Direct costs, headcount
Information technology	Headcount
Office expenses	Direct costs, headcount
Bank & merchant card fees	Direct costs
Special events	Direct costs
Other	Direct costs, square footage, time and effort
Insurance	Direct costs, square footage, time and effort
Advertising & promotion	Direct costs
Travel	Direct costs
Professional development	Direct costs
Conferences, conventions, and meetings	Direct costs
Interest	Square footage

Donated Services

During the years ended December 31, 2020 and 2019, UCCC did not recognize any amount for donated services, as the criteria for recognition was not met. UCCC pays for most services requiring specific expertise. In addition, many individuals volunteer their time and perform a variety of tasks that assist UCCC with specific programs, campaign solicitations and various committee assignments.

Income Tax Status

UCCC is exempt from income tax pursuant to Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is made in the accompanying financial statements.

Financial accounting standards for uncertain tax positions prohibit financial statement recognition of the impact of a tax position if the position is not "more likely than not" to be sustained on audit, based on the technical merits of the position. The Federal Forms 990 of UCCC are subject to examination by the Internal Revenue Service, generally for three years after they have been filed. As of April 19, 2021, no returns have been selected for examination.

Subsequent Events

Management has evaluated subsequent events through April 19, 2021, the date which the financial statements were available to be issued, for possible recognition or disclosure. Refer to Note 12.

UNIVERSITY CITY CHILDREN'S CENTER AND SUBSIDIARY

Notes to Consolidated Financial Statements (Continued)

NOTE 2 LIQUIDITY AND AVAILABILITY

	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 901,053	\$ 608,311
Receivable from United Way of Greater St. Louis, Inc.	135,793	146,803
Pledges and grants receivable	41,461	116,054
Accounts receivable	61,036	117,508
Cash surrender value of life insurance	-	-
Total financial assets	1,139,343	988,676
Less amounts not available to be used within one year:		
Net assets with donor restrictions	438,999	696,142
Less net assets with time and purpose restrictions to be met in less than one year	(311,591)	(566,954)
Total amounts not available to be used within one year	127,408	129,188
Financial assets available to meet general expenditures over the next twelve months	\$ 1,011,935	\$ 859,488

UCCC's goal is generally to maintain a level of liquidity sufficient to withstand variations in its major sources of revenue, measured by two standard deviations during the preceding five years, and to pay the cost of a major capital expense.

NOTE 3 PROPERTY AND EQUIPMENT

	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
Building and improvements	\$ 3,112,379	\$ 3,112,379
Playground equipment	78,869	78,869
Classroom equipment	20,078	20,078
Office and kitchen equipment	45,646	88,706
Garden project	45,704	45,704
Construction in progress	38,040	-
Property and equipment, at cost	3,340,716	3,345,736
Less accumulated depreciation	(2,681,946)	(2,542,176)
Property and Equipment, Net	\$ 658,770	\$ 803,560

Depreciation expense amounted to \$182,829 and \$183,503 for the years ended December 31, 2020 and 2019, respectively.

NOTE 4 NOTE PAYABLE

In May 2020, UCCC received an Economic Injury Disaster Loan from the U.S. Small Business Administration in the amount of \$150,000 which matures on May 28, 2050. Security for the loan includes all personal property of UCCC. The interest rate on the loan is 2.75%. The loan is payable in monthly installments of \$641 beginning in May 2021. Interest from the date of the loan to the date of the first payment accrues to the principal balance of the loan. The Note payable on the Consolidated Statements of Financial Position includes accrued interest of \$2,425. An additional \$1,404 of interest will accrue to the principal balance of the loan prior to the first payment due in May 2021. Notes to Consolidated Financial Statements (Continued)

NOTE 4 NOTE PAYABLE (CONTINUED)

The following is a schedule of future principal payments:

Years Ending December 31,	
2021	\$ 2,323
2022	3,566
2023	3,665
2024	3,768
2025	3,873
Thereafter	136,634
<hr/>	
Total Future Principal Payments	\$ 153,829

NOTE 5 PAYCHECK PROTECTION PROGRAM (PPP) LOAN

In April 2020, UCCC applied for and was granted a \$526,900 loan under the Paycheck Protection Program (PPP) administered by the Small Business Administration (SBA). The loan was uncollateralized and fully guaranteed by the Federal government. The loan accrued interest at 1%, but payments were not required until the final amount of the loan was determined by the SBA. UCCC is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. In accordance with Accounting Standards Update (ASU) No. 958-605, UCCC has accounted for the PPP loan as a refundable advance and recognized the contribution as the conditions of the release had been substantially met at December 31, 2020. Revenue for the forgiveness of the loan was reported on the Consolidated Statements of Activities. The lender had not yet begun accepting loan forgiveness applications at April 19, 2021.

NOTE 6 LEASE AGREEMENTS

UCCC leases its building from Washington University (landlord). Under the terms of the lease, the children of graduate students and employees of the landlord have a priority right to enroll a certain number of children at the Center, and the landlord has representation on the governing board of UCCC.

The term of the lease is for a period of 20 years ending on January 31, 2024, with an option to purchase. The lease may be extended for an indefinite number of renewal periods of 10 years each. The purchase option must occur no sooner than the 10 year anniversary. The purchase price will be based on the fair market value at the option date less the unamortized balance of improvements made to the building.

Base rent was \$1 per square foot per year through January 2019 and \$2 per square foot per

UNIVERSITY CITY CHILDREN'S CENTER AND SUBSIDIARY

Notes to Consolidated Financial Statements (Continued)

year thereafter. Accordingly, deferred rent liability is reflected on the statement of financial position. The base rent will be renegotiated for each renewal period.

NOTE 6 LEASE AGREEMENTS (CONTINUED)

Obligations under the lease is as follows:

Years Ending December 31,	
2021	\$ 60,378
2022	60,378
2023	60,378
2024	5,032
<hr/>	
Total Future Payments	\$ 186,166

In October 2017, UCCC entered into a three year lease to provide additional office space for LUME. The term of the lease was three years, ending on September 30, 2020. Monthly base rent was \$3,673 for the first year of the lease, \$3,767 for the second year of the lease and \$3,861 for the third year of the lease. The lease was terminated early in June 2019.

Rent expense was \$38,140 and \$75,788 for the years ended December 31, 2020 and 2019, respectively.

NOTE 7 LIFE INSURANCE

UCCC was the named beneficiary of \$200,000 in life insurance carried on the life of the Executive Director. During 2019, UCCC received proceeds of \$74,424 from terminating the policy.

NOTE 8 EMPLOYEE BENEFIT PLAN

UCCC sponsors a defined contribution retirement plan which covers all employees who have at least 90 days of service and are age twenty-one or older. The plan allows for discretionary employer matching contributions in amounts determined by the Board of Directors on an annual basis. UCCC accrued \$18,518 and \$16,680 as contributions to the Plan for the years ended December 31, 2020 and 2019, respectively.

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

	December 31,	
	2020	2019
Contributions Restricted for Purpose		
Program restrictions	\$ 204,072	\$ 354,116
Adventure playground and garden	5,149	6,275
Family organization	4,749	4,713
Contributions Restricted for Time		
United Way of Greater St. Louis, Inc.	135,793	146,803
Multi-year pledges	89,236	184,235
<hr/>		
Total	\$ 438,999	\$ 696,142

Notes to Consolidated Financial Statements (Continued)

NOTE 10 CONCENTRATIONS OF CREDIT AND MARKET RISK

Financial instruments that potentially subject UCCC to credit and market risk consist principally of cash, cash equivalents and receivables.

UCCC places all cash and cash equivalents with major financial institutions and, by policy, attempts to limit the amount of credit exposure at any one financial institution. UCCC's cash deposits in financial institutions are insured by FDIC insurance, which is subject to certain limitations and conditions. At December 31, 2020 and 2019, cash balances exceeded FDIC limits by approximately \$319,000 and \$35,000, respectively.

Concentrations of credit risk with respect to receivables are limited due to the nature of these receivables. UCCC also receives donations of marketable securities that are subject to market risk. Market risk is the possibility that changes in market price may make a financial instrument less valuable. Market risk on donated securities is limited by UCCC's policy to promptly sell the securities.

NOTE 11 COVID-19

In December 2019, there was an outbreak of a novel strain of coronavirus (COVID-19). On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic, and multiple jurisdictions in the U.S. declared a state of emergency. Due to stay-at-home orders from state and local governments, UCCC temporarily suspended childcare services on March 19, 2020. Impacts included disruptions and restrictions on UCCC's employees' ability to work and temporary disruption of monthly tuition collection. In May 2020, UCCC resumed limited childcare services under guidelines established by St. Louis County and the Centers for Disease Control and Prevention. As of April 19, 2021, UCCC expects to fully resume its operations in mid-2021.

NOTE 12 SUBSEQUENT EVENTS

In February 2021, UCCC applied for and was granted a second PPP loan in the amount of \$534,800. The loan is uncollateralized and is fully guaranteed by the Federal government. The loan accrues interest, but payments are not required to begin for six months to one year after the funding of the loan. UCCC is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. UCCC intends to take measures to maximize the loan forgiveness.