

SCARRITT-BENNETT CENTER

**FINANCIAL STATEMENTS
AND OTHER INFORMATION**

DECEMBER 31, 2014 AND 2013

SCARRITT-BENNETT CENTER

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Independent Auditor's Report

To the Board of Directors
Scarritt-Bennett Center
Nashville, Tennessee

We have audited the accompanying financial statements of Scarritt-Bennett Center (the "Center"), a nonprofit organization, which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities 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 Scarritt-Bennett Center as of December 31, 2014 and 2013, 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.

Other Matter

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Revenues, Gains and Other Support, Schedules of Expenses, and Schedule of Changes in Net Assets, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Crosslin & Associates, PLLC

Nashville, Tennessee
September 12, 2015

SCARRITT-BENNETT CENTER
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013

	2014			2013
	Current Operations	Endowment	Total	Total
ASSETS				
Cash	\$ -	\$ -	\$ -	\$ 61,763
Receivables	26,580	26,907	53,487	60,660
Inventory	6,418	-	6,418	8,895
Property and equipment, net	716,458	-	716,458	574,181
Leasehold rights - facilities usage	1,800,000	-	1,800,000	1,800,000
Investment in joint venture	1,309,059	-	1,309,059	1,399,306
Investments	-	6,449,382	6,449,382	6,538,562
Perpetual trusts held by third parties	-	380,971	380,971	388,015
Total assets	<u>\$ 3,858,515</u>	<u>\$ 6,857,260</u>	<u>\$ 10,715,775</u>	<u>\$ 10,831,382</u>
LIABILITIES				
Accounts payable and accrued expenses	\$ 303,327	\$ -	\$ 303,327	\$ 247,597
Deposits	298,223	-	298,223	303,664
Capital lease obligation	99,786	-	99,786	121,726
Note payable - line of credit	271,750	-	271,750	161,143
Due to (from) other funds	518,582	(518,582)	-	-
Total liabilities	<u>1,491,668</u>	<u>(518,582)</u>	<u>973,086</u>	<u>834,130</u>
NET ASSETS				
Donor restricted:				
Permanently	-	4,430,415	4,430,415	4,437,135
Temporarily	1,800,000	1,077,290	2,877,290	2,881,861
Unrestricted:				
Board designated for long-term investment	-	1,868,137	1,868,137	1,953,070
Undesignated	566,847	-	566,847	725,186
Total net assets	<u>2,366,847</u>	<u>7,375,842</u>	<u>9,742,689</u>	<u>9,997,252</u>
Total liabilities and net assets	<u>\$ 3,858,515</u>	<u>\$ 6,857,260</u>	<u>\$ 10,715,775</u>	<u>\$ 10,831,382</u>

See accompanying notes to the financial statements.

SCARRITT-BENNETT CENTER
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2014

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Contributions	\$ 373,055	\$ -	\$ -	\$ 373,055
Fees	1,417,771	-	-	1,417,771
Rent income and use of facilities	625,537	-	-	625,537
Other income	98,359	-	-	98,359
Contribution - facilities usage	-	1,800,000	-	1,800,000
Investment return designated for current operations	341,567	100,206	-	441,773
Net assets released from restrictions:				
Expiration of time restriction	1,800,000	(1,800,000)	-	-
Satisfaction of program restrictions	100,206	(100,206)	-	-
Total revenues, gains and other support	<u>4,756,495</u>	<u>-</u>	<u>-</u>	<u>4,756,495</u>
EXPENSES				
Program expenses:				
Food services	432,037	-	-	432,037
Gift shop	2,737	-	-	2,737
Library	10,424	-	-	10,424
Rooms and guest services	387,707	-	-	387,707
Facilities and maintenance	762,001	-	-	762,001
Technology	201,023	-	-	201,023
Marketing	154,932	-	-	154,932
Programming	308,904	-	-	308,904
Soul Work	30,795	-	-	30,795
Wisdom House	450	-	-	450
Women's Table	24,491	-	-	24,491
Rent expense	1,800,000	-	-	1,800,000
Supporting services:				
Management and general	558,403	-	-	558,403
Fundraising	68,557	-	-	68,557
Sales	172,373	-	-	172,373
Total expenses	<u>4,914,834</u>	<u>-</u>	<u>-</u>	<u>4,914,834</u>
Changes in net assets from operations	<u>(158,339)</u>	<u>-</u>	<u>-</u>	<u>(158,339)</u>
OTHER CHANGES				
Investment return under amount designated for current operations	<u>(84,933)</u>	<u>(4,571)</u>	<u>(6,720)</u>	<u>(96,224)</u>
Change in net assets	(243,272)	(4,571)	(6,720)	(254,563)
NET ASSETS AT BEGINNING OF YEAR	<u>2,678,256</u>	<u>2,881,861</u>	<u>4,437,135</u>	<u>9,997,252</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,434,984</u>	<u>\$ 2,877,290</u>	<u>\$ 4,430,415</u>	<u>\$ 9,742,689</u>

See accompanying notes to the financial statements.

SCARRITT-BENNETT CENTER
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2013

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Contributions	\$ 431,393	\$ -	\$ -	\$ 431,393
Fees	1,475,803	-	-	1,475,803
Rent income and use of facilities	637,400	-	-	637,400
Other income	86,101	-	-	86,101
Contribution - facilities usage	-	1,800,000	-	1,800,000
Investment return designated for current operations	272,825	96,921	-	369,746
Net assets released from restrictions:				
Expiration of time restriction	1,800,000	(1,800,000)	-	-
Satisfaction of program restrictions	107,891	(107,891)	-	-
Total revenues, gains and other support	<u>4,811,413</u>	<u>(10,970)</u>	<u>-</u>	<u>4,800,443</u>
EXPENSES				
Program expenses:				
Food services	442,161	-	-	442,161
Gift shop	14,322	-	-	14,322
Library	9,230	-	-	9,230
Rooms and guest services	447,476	-	-	447,476
Facilities and maintenance	614,988	-	-	614,988
Technology	182,723	-	-	182,723
Marketing	131,386	-	-	131,386
Programming	236,492	-	-	236,492
Soul Work	30,866	-	-	30,866
Wisdom House	-	-	-	-
Women's Table	20,348	-	-	20,348
Rent expense	1,800,000	-	-	1,800,000
Supporting services:				
Management and general	648,983	-	-	648,983
Fundraising	90,264	-	-	90,264
Sales	147,214	-	-	147,214
Total expenses	<u>4,816,453</u>	<u>-</u>	<u>-</u>	<u>4,816,453</u>
Changes in net assets from operations	<u>(5,040)</u>	<u>(10,970)</u>	<u>-</u>	<u>(16,010)</u>
OTHER CHANGES				
Investment return over amount designated for current operations	<u>51,998</u>	<u>292,134</u>	<u>17,302</u>	<u>361,434</u>
Change in net assets	46,958	281,164	17,302	345,424
NET ASSETS AT BEGINNING OF YEAR	<u>2,631,298</u>	<u>2,600,697</u>	<u>4,419,833</u>	<u>9,651,828</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,678,256</u>	<u>\$ 2,881,861</u>	<u>\$ 4,437,135</u>	<u>\$ 9,997,252</u>

See accompanying notes to the financial statements.

SCARRITT-BENNETT CENTER
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014			2013
	Current Operations	Endowment	Total	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in net assets	\$ (158,339)	\$ (96,224)	\$ (254,563)	\$ 345,424
Adjustments to reconcile change in net assets to net cash used in operating activities:				
Depreciation expense	90,644	-	90,644	55,945
Loss on disposal of equipment	5,190	-	5,190	-
Realized and unrealized gains on investments	-	(258,441)	(258,441)	(628,543)
Gain from joint venture	(82,815)	-	(82,815)	(61,500)
(Increase) decrease in:				
Accounts receivable	7,173	-	7,173	(18,276)
Inventory	2,477	-	2,477	27,245
Perpetual trusts held by third parties	-	7,044	7,044	(16,802)
Increase (decrease) in:				
Accounts payable and other liabilities	55,730	-	55,730	114,154
Deposits	(5,441)	-	(5,441)	(44,026)
Net cash used in operating activities	(85,381)	(347,621)	(433,002)	(226,379)
CASH FLOWS FROM INVESTING ACTIVITIES				
Distributions received from joint venture	173,062	-	173,062	231,000
Purchases of investments	-	(615,072)	(615,072)	(1,464,024)
Proceeds from sale of investments	-	962,693	962,693	1,747,935
Purchases of property and equipment	(238,111)	-	(238,111)	(270,068)
Net cash (used in) provided by investing activities	(65,049)	347,621	282,572	244,843
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments on capital lease obligation	(21,940)	-	(21,940)	(13,288)
Net borrowings (repayments) under line of credit	110,607	-	110,607	(203,792)
Net cash provided by (used in) financing activities	88,667	-	88,667	(217,080)
NET DECREASE IN CASH	(61,763)	-	(61,763)	(198,616)
CASH AT BEGINNING OF YEAR	61,763	-	61,763	260,379
CASH AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,763</u>
SUPPLEMENTAL CASH FLOW INFORMATION:				
Cash paid for interest	<u>\$ 16,785</u>	<u>\$ -</u>	<u>\$ 16,785</u>	<u>\$ 8,339</u>

NON-CASH INVESTING AND FINANCING ACTIVITIES:

During 2013, the Center financed the purchase of certain equipment through a capital lease obligation totaling \$135,014.

See accompanying notes to the financial statements.

SCARRITT-BENNETT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Scarritt-Bennett Center (the “Center”) is a conference, retreat, and education center the mission of which is to create space where individuals and groups can engage each other to achieve a more just world. The Center is related to the United Methodist Church. The property from which the Center operates is located in Nashville, Tennessee, and is owned by United Methodist Women. The Center provides conference and meeting space to groups for day and multi-day meetings. The Center also offers its own program of education for ministry. The mission of the Center’s programs include multi-cultural, ecumenical, and inter-faith activities.

The Center is the sole member of SBC Educational Holdings, LLC, a Tennessee nonprofit limited liability company. SBC Educational Holdings, LLC was organized in August 2012 to hold the interest in the joint venture as described in Note F.

All significant inter-company activity has been eliminated in the accompanying financial statements.

Financial Statement Presentation

The Center reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by action of the Center or the passage of time.

Permanently restricted net assets - Net assets consisting of endowment investments subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity and the income only be utilized.

The Center’s governing board has designated a portion of its unrestricted net assets as board-designated endowment. These net assets have not been donor-restricted and are classified as unrestricted net assets. The purpose of this board-designated endowment is to provide income from long-term investments in order to support the Center’s activities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

SCARRITT-BENNETT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions with donor stipulations that limit their use are considered to be temporarily restricted until the donor restrictions expire, that is, when a time restriction ends or a purpose restriction is fulfilled. Upon the expiration of donor stipulations, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted contributions received and expended in the same accounting period are classified as unrestricted support.

Unconditional promises to give are recognized as revenues or gains in the period received as assets, decreases in 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.

Contributed services are recognized as revenue at their fair value if the services create or enhance nonfinancial assets or require specialized skills and are provided by individuals possessing those skills and typically would have been purchased if not provided by contribution. Contributed services and promises to contribute that do not meet these criteria are not recognized as revenue and are not reported in the accompanying financial statements.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Center considers all highly-liquid instruments purchased with a maturity date of three months or less to be cash equivalents. Cash and cash equivalents that are designated for long-term investment are included in Investments in the accompanying statements of financial position.

Property and Equipment

The Center's property and equipment is depreciated using the straight-line method over the estimated useful lives of the respective assets, which range from 3 to 27.5 years. Amortization of leasehold improvements is provided over the lives of the respective leases, including renewals, or the estimated useful lives of the improvements, whichever is shorter. The Center's policy is to capitalize property and equipment purchases in excess of \$1,000. Property and equipment is valued at cost, if purchased, or fair value, if contributed.

SCARRITT-BENNETT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounts Receivable

Accounts receivable are stated at the amount the Center expects to collect from outstanding balances at year-end. The Center provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written-off through a charge to the valuation allowance and a credit to accounts receivable. At December 31, 2014 and 2013, management concluded that losses, if any, on balances outstanding would not be material based on management's assessment of credit history and current relationships. Therefore, no valuation allowance was established at December 31, 2014 or 2013.

Inventory

Inventory consists primarily of food products on hand at the statement of financial position date and is stated at the lower of cost or market on a first-in first-out basis. At December 31, 2013, management recorded a reserve to reduce the carrying value of inventory by \$3,950 relating to certain gift shop inventory. As the gift shop was closed during 2014, no reserve was recorded at December 31, 2014.

Investments

Investments in equity and debt securities with readily determinable fair values are carried at fair value based on quoted prices, where available, and on Level 2 inputs (See Note P).

Investment income, including realized and unrealized gains and losses, is recorded in the appropriate net asset classification based on restrictions or absence thereof.

Beneficial Interests in Trusts

Beneficial interests in perpetual trusts represent resources neither in possession nor under the control of the Center, but held and administered by outside parties for the benefit of the Center and its mission. These funds are recorded at their fair value based on the underlying investments.

Deposits

Deposits represent amounts collected by the Center for event services that have not yet been performed.

SCARRITT-BENNETT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Tax Status

The Center qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. In addition, the Center qualifies for the charitable contribution deduction under Section 170(b)(1)(A). The Center's federal information and income tax returns for tax years 2011 and later are subject to examination by the Internal Revenue Service.

The Center accounts for the effect of any uncertain tax positions based on a more likely than not threshold to the recognition of the tax positions being sustained based on the technical merits of the position under examination by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of these positions, the unrecognized tax benefit is estimated based on a cumulative probability assessment that aggregates the estimated tax liability for all uncertain tax positions. Tax positions for the Center include, but are not limited to, the tax-exempt status and determination of whether certain income is subject to unrelated business income tax; however, the Center has determined that such tax positions do not result in an uncertainty requiring recognition.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities.

Advertising

The Center expenses advertising costs as they are incurred. Advertising expense for the years ended December 31, 2014 and 2013, was \$22,678 and \$15,175, respectively.

Fair Value Measurements

Assets recorded at fair value in the statements of financial position are categorized based on the level of judgment associated with the inputs used to measure their fair value. Level inputs, as defined by Financial Accounting Standards Board Accounting Standards Codification ("ASC") 820, *Fair Value Measurements and Disclosures*, are as follows:

Level 1 - Values are unadjusted quoted prices for identical assets in active markets accessible at the measurement date.

Level 2 - Inputs include quoted prices for similar assets in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.

SCARRITT-BENNETT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Level 3 - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Center's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

B. INVESTMENTS

Investments are presented in the financial statements at fair value. At December 31, 2014 and 2013, the fair value and cost of investments are as follows:

	<u>2014</u>		<u>2013</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Short-term investments	\$ 571,431	\$ 571,431	\$ 590,736	\$ 590,736
Equities	3,878,290	2,470,477	3,788,286	2,529,662
Fixed income	<u>1,999,661</u>	<u>1,891,271</u>	<u>2,159,540</u>	<u>2,040,054</u>
	<u>\$6,449,382</u>	<u>\$4,933,179</u>	<u>\$6,538,562</u>	<u>\$5,160,452</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended December 31, 2014 and 2013:

	<u>2014</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividend income, net of fees	\$ 21,457	\$ 72,371	\$ 324	\$ 94,152
Net realized and unrealized gains (losses) on long-term investments	45,353	213,088	(7,044)	251,397
Spending rule appropriation	<u>189,824</u>	<u>(189,824)</u>	<u>-</u>	<u>-</u>
	<u>\$256,634</u>	<u>\$ 95,635</u>	<u>\$(6,720)</u>	<u>\$345,549</u>
Investment return designated for current operations	\$ 341,567	\$ 100,206	\$ -	\$ 441,773
Investment return under amount designated for current operations	<u>(84,933)</u>	<u>(4,571)</u>	<u>(6,720)</u>	<u>(96,224)</u>
	<u>\$ 256,634</u>	<u>\$ 95,635</u>	<u>\$(6,720)</u>	<u>\$ 345,549</u>

SCARRITT-BENNETT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

B. INVESTMENTS - Continued

	2013			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividend income, net of fees	\$ 19,748	\$ 65,587	\$ 500	\$ 85,835
Net realized and unrealized gains and losses on long-term investments	120,946	507,597	16,802	645,345
Spending rule appropriation	<u>184,129</u>	<u>(184,129)</u>	<u>-</u>	<u>-</u>
	<u>\$324,823</u>	<u>\$ 389,055</u>	<u>\$17,302</u>	<u>\$731,180</u>
Investment return designated for current operations	\$272,825	\$ 96,921	\$ -	\$369,746
Investment return over amount designated for current operations	<u>51,998</u>	<u>292,134</u>	<u>17,302</u>	<u>361,434</u>
	<u>\$324,823</u>	<u>\$389,055</u>	<u>\$17,302</u>	<u>\$731,180</u>

Investment expenses of approximately \$81,200 and \$80,600 in 2014 and 2013, respectively, have reduced investment income.

C. PERPETUAL TRUSTS HELD BY THIRD PARTIES

Two donors have established perpetual trusts, which are administered by third parties. Under the terms of the first trust, the Center has the irrevocable right to receive the income earned on the trust assets in perpetuity. Income is unrestricted. At December 31, 2014 and 2013, the fair value of the assets held under the agreement was \$186,496 and \$192,515, respectively, and is included in permanently restricted net assets.

Under the terms of the second trust, the Center has an irrevocable right to receive the income earned on the trust in perpetuity. Income is restricted for scholarships. At December 31, 2014 and 2013, the fair value of the assets held under the second agreement was \$194,475 and \$195,500, respectively.

SCARRITT-BENNETT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

D. ENDOWMENT

The Center's endowment consists of approximately 80 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by U.S. Generally Accepted Accounting Principles ("GAAP"), net assets associated with endowment funds, including the funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors has interpreted the Tennessee Prudent Management of Institutional Funds Act ("TPMIFA") 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 Center classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the 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 classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by TPMIFA. In accordance with TPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- the duration and preservation of the fund
- the purposes of the Center and the donor-restricted endowment fund
- general economic conditions
- the possible effect of inflation and deflation
- the expected total return from income and the appreciation of investments
- other resources of the Center
- the investment policies of the Center

SCARRITT-BENNETT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

D. ENDOWMENT - Continued

Endowment net assets are composed of the following at December 31, 2014:

	<u>2014</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$1,077,290	\$4,430,415	\$5,507,705
Board-designated endowment funds	<u>1,868,137</u>	<u>-</u>	<u>-</u>	<u>1,868,137</u>
	<u>\$1,868,137</u>	<u>\$1,077,290</u>	<u>\$4,430,415</u>	<u>\$7,375,842</u>

Changes in endowment net assets are as follows for the year ended December 31, 2014:

Endowment net assets, beginning of year	\$ 1,953,070	\$ 1,081,861	\$ 4,437,135	\$ 7,472,066
Investment return:				
Investment income	21,457	72,371	324	94,152
Net realized and unrealized gains (losses)	<u>45,353</u>	<u>213,088</u>	<u>(7,044)</u>	<u>251,397</u>
Total investment return (loss)	66,810	285,459	(6,720)	345,549
Contributions	-	-	-	-
Appropriation of endowment gains for expenditure	<u>(151,743)</u>	<u>(290,030)</u>	<u>-</u>	<u>(441,773)</u>
Endowment net assets, end of year	<u>\$ 1,868,137</u>	<u>\$ 1,077,290</u>	<u>\$ 4,430,415</u>	<u>\$ 7,375,842</u>

The Center's Board of Directors has approved certain loans made from the unrestricted Board-designated endowment fund for the current operations of the Center. Such loans totaled \$518,582 at both December 31, 2014 and 2013, respectively. These loans between funds are included as due to/from in the accompanying statements of financial position. Accordingly, a portion of the Board-designated endowment funds is in the form of a receivable from the Center's operating fund.

SCARRITT-BENNETT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

D. ENDOWMENT - Continued

Endowment net assets are composed of the following at December 31, 2013:

	2013			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$1,081,861	\$4,437,135	\$5,518,996
Board-designated endowment funds	<u>1,953,070</u>	<u>-</u>	<u>-</u>	<u>1,953,070</u>
	<u>\$1,953,070</u>	<u>\$1,081,861</u>	<u>\$4,437,135</u>	<u>\$7,472,066</u>

Changes in endowment net assets are as follows for the year ended December 31, 2013:

Endowment net assets, beginning of year	\$ 1,901,072	\$ 789,727	\$4,419,833	\$ 7,110,632
Investment return:				
Investment income	19,748	65,587	500	85,835
Net realized and unrealized gains	<u>120,946</u>	<u>507,597</u>	<u>16,802</u>	<u>645,345</u>
Total investment return	140,694	573,184	17,302	731,180
Contributions	-	-	-	-
Appropriation of endowment gains for expenditure	<u>(88,696)</u>	<u>(281,050)</u>	<u>-</u>	<u>(369,746)</u>
Endowment net assets, end of year	<u>\$ 1,953,070</u>	<u>\$ 1,081,861</u>	<u>\$4,437,135</u>	<u>\$ 7,472,066</u>

Funds With Deficiencies

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or TPMIFA requires the Center to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. Deficiencies generally result from unfavorable market fluctuations that occur along with continued appropriation for certain programs that are deemed prudent by the Board of Directors. There were no such funds with material deficiencies at December 31, 2014 or 2013.

SCARRITT-BENNETT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

D. ENDOWMENT - Continued

Return Objectives and Risk Parameters

The Center has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that, over time, provide a return of approximately eight percent annually while assuming a moderate level of investment risk. Actual returns in any given year will vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Center relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Center 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.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Center has a policy of appropriating for distribution each year six percent of its endowment fund's average fair value over the prior three years. The calculation is based on the three fiscal years ending on September 30, proceeding the calendar year in which the distribution is planned. In establishing this policy, the Center considered the long-term expected return on its endowment. Accordingly, over the long term, the Center expects the current spending policy to allow its endowment to grow at an average of two percent annually. This is consistent with the organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

SCARRITT-BENNETT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

D. ENDOWMENT - Continued

	<u>2014</u>	<u>2013</u>
Permanently Restricted Net Assets:		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by TPMIFA	<u>\$4,430,415</u>	<u>\$4,437,135</u>
	<u>2014</u>	<u>2013</u>
Temporarily Restricted Net Assets:		
The portion of perpetual endowment funds subject to time or other restrictions under TPMIFA:		
Without purpose restrictions	\$ 524,732	\$ 532,327
With purpose restrictions	<u>552,558</u>	<u>549,534</u>
	<u>\$1,077,290</u>	<u>\$1,081,861</u>

E. PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2014 and 2013, is as follows:

	<u>2014</u>	<u>2013</u>
Improvements	\$ 909,245	\$ 722,537
Furniture	92,805	92,805
Equipment	<u>609,541</u>	<u>600,934</u>
	1,611,591	1,416,276
Less accumulated depreciation	<u>(895,133)</u>	<u>(842,095)</u>
	<u>\$ 716,458</u>	<u>\$ 574,181</u>

Included in equipment at December 31, 2014 and 2013 is certain equipment under a capital lease obligation (See Note N).

SCARRITT-BENNETT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

F. INVESTMENT IN JOINT VENTURE - MIDTOWN PLACE, LLC

During November 2010, the Center entered into a development agreement with a real estate developer. Under the agreement, the Center contributed, during 2011, certain land and buildings in exchange for a 50% equity interest in a newly formed entity, Midtown Place, LLC. The net book value of the assets at the time of transfer totaled \$1,811,806. This amount was recorded as the Center's investment in the joint venture. The real estate developer owns the other 50% interest in Midtown Place, LLC. During 2011, Midtown Place, LLC demolished the existing structures on the land and in their place constructed a new 55-unit apartment complex, Midtown Place Apartments. Construction of the new apartments was completed in July 2012. The developer manages the apartment complex for a management fee of four percent of gross rents less collectible deposits.

During August 2012, the Center formed a Tennessee nonprofit limited liability company, SBC Educational Holdings, LLC, ("Educational Holdings"). The Center is the sole member of Educational Holdings. In connection with the formation, the Center transferred its interest in Midtown Place, LLC to Educational Holdings.

In conjunction with the construction of the new apartment complex, Midtown Place entered into a construction promissory note, the balance of which was \$5,650,000 at both December 31, 2014 and 2013, respectively. The loan is collateralized by Midtown Place Apartments and is guaranteed by the developer. The Center does not guarantee the loan.

A summary of the assets and liabilities of Midtown Place, LLC as of December 31, 2014 and 2013, is as follows:

	<u>2014</u>	<u>2013</u>
Total assets	\$7,197,015	\$7,313,279
Total liabilities	<u>5,828,174</u>	<u>5,829,776</u>
Equity	<u>\$1,368,841</u>	<u>\$1,483,503</u>

Net revenues of Midtown Place totaled \$937,102 and \$922,113 for 2014 and 2013, respectively. The Center's share of Midtown Place's net income for 2014 and 2013 was \$82,815 and \$62,052, respectively. The Center received distributions from Midtown Place totaling \$173,062 and \$231,000 in 2014 and 2013, respectively.

The Center's carrying value of the investment Midtown Place, LLC exceeds its share of the underlying net assets, which is considered to be equity method goodwill. The Center evaluates the carrying value of its investment in Midtown Place, LLC on at least an annual basis and more frequently if events occur or circumstances change that would likely reduce the fair value below its carrying amount. No impairment allowance was considered necessary at December 31, 2014 or 2013.

SCARRITT-BENNETT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

G. PENSION PLAN

All full-time staff and regular part-time staff who work twenty or more hours a week are eligible to participate in a defined contribution pension program of the General Board of Pensions Health Benefits of the United Methodist Church. Staff members may participate by contributing, through payroll deduction, not more than 10 percent to a personal accumulations account. The Center contributes nine percent on behalf of the employees. The total pension expense for the years ended December 31, 2014 and 2013, was \$80,906 and \$79,921, respectively.

H. HEALTH CARE AND LIFE INSURANCE BENEFITS

The Center provides health, life, and other employee benefits for its active employees and health, dental, and life benefits to retirees through a group plan which qualifies for treatment as a multi-employer plan under ASC 715, *Compensation - Retirement Benefits*. Substantially all retired employees are eligible to participate in the plan if they have attained normal retirement age while in the employ of the Center.

The General Agencies of The United Methodist Church Benefit Plan (the “Plan”) provides medical, dental, life, and long and short-term disability defined benefits to participants of general agencies and employees of other certain United Methodist related organizations, including the Center.

The Plan’s unfunded accumulated postretirement benefit obligation (“APBO”) was approximately \$110,000,000 and \$59,000,000 and the Plan’s unfunded expected postretirement benefit obligation (“EPBO”) was approximately \$151,000,000 and \$77,000,000 as of December 31, 2014 and 2013, respectively.

All of the Center’s active employees are covered by the Plan. The cost of the benefits is recognized as expense as premiums are paid. The total cost of benefits for active employees was \$222,845 and \$207,758 in 2014 and 2013, respectively.

SCARRITT-BENNETT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

I. RELATED PARTY TRANSACTIONS

The United Methodist Women (“UMW”) appoints 8 of the 24 voting directors of Scarritt-Bennett Center. In 2014 and 2013, the UMW provided the Center with financial support and grants in the amount of \$253,594 and \$136,626, respectively, in addition to the rent-free use of the facilities, as described in Note J. UMW also holds meetings and conferences at the Center, for which the Center receives fees and income from use of facilities.

J. CONTRIBUTION - RENT-FREE USE OF FACILITIES

UMW has contributed a rent-free lease agreement to the Center. The Center renewed the lease agreement with the UMW, effective January 1, 2011. The renewed lease agreement provides generally for a lease term through December 2020 with certain renewal options as well as termination provisions. The estimated fair value of the contributed facilities is recorded as a gift in the period the lease is executed and, for any terms in excess of one year, the value is discounted to its present value at that time. Based on the provisions of the lease agreement, the Center generally records the contributions in annual installments when it is known that the lease will remain in effect for the upcoming year. The contribution receivable relating to the rent-free use of facilities is included as leasehold rights - facilities usage in the accompanying statements of financial position. The leasehold rights - facilities usage was \$1,800,000 at both December 31, 2014 and 2013, which represents the right to use the facilities for 2015 and 2014, respectively. The related rent expense was \$1,800,000 for 2014 and 2013. The leasehold rights - facilities usage as of December 31, 2014 and 2013, is a temporarily restricted net asset.

SCARRITT-BENNETT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

K. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Time restrictions:		
Facilities usage	\$1,800,000	\$1,800,000
General endowment - net accumulated gains	524,732	532,327
Amounts designated for specific programs:		
Miller lectureship	81,147	76,555
Centennial Global Scholars Fund	56,009	52,845
General unrestricted scholarships	414,264	419,050
Library	<u>1,138</u>	<u>1,084</u>
	<u>\$2,877,290</u>	<u>\$2,881,861</u>

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

	<u>2014</u>	<u>2013</u>
Time restrictions:		
Passage of specified time - rent-free use facilities	\$1,800,000	\$1,800,000
Program requirements met:		
Satisfaction of program restrictions	<u>100,206</u>	<u>107,891</u>
	<u>\$1,900,206</u>	<u>\$1,907,891</u>

Permanently restricted net assets consist of the following:

	<u>2014</u>	<u>2013</u>
General endowment	\$3,060,769	\$3,066,788
Scholarships	1,319,646	1,320,347
Other	<u>50,000</u>	<u>50,000</u>
	<u>\$4,430,415</u>	<u>\$4,437,135</u>

Income from permanently restricted assets and Board-designated unrestricted assets is available for general operations and scholarships.

SCARRITT-BENNETT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

L. CONCENTRATIONS

The Center maintains cash and investments in accounts which, at times, may exceed federally insured limits. Credit risk is managed by maintaining all deposits in financial institutions which management believes are high quality financial institutions and by maintaining diversification of investments, including those held in various securities. Such funds are subject to inherent market fluctuations, which at times, may be significant. The Center also generally has a concentration of fee and rental income from certain United Methodist Groups.

M. LINE-OF-CREDIT

The Center has a \$430,000 line-of-credit with a financial institution, the balance of which was \$271,750 and \$161,143 at December 31, 2014 and 2013, respectively. Interest on the line-of-credit is due monthly at the financial institution's prime rate, with a minimum rate of 4.25%. Interest expense for the years ended December 31, 2014 and 2013, was \$16,785 and \$8,339, respectively. The line-of-credit is secured by certain unrestricted investments. During August 2015, the line-of-credit limit was increased to \$563,000, and the line has been renewed through November 2015.

N. LEASES

Capital Lease

During 2013, the Center entered into a capital lease agreement for certain computer equipment. The lease expires in June 2018 and has an implicit interest rate equal to the Center's incremental borrowing rate of 4.50%. Equipment under the lease totaled \$99,786 and \$121,513, net of accumulated depreciation of \$35,228 and \$13,501 at December 31, 2014 and 2013, respectively.

Minimum future lease payments under the capital lease as of December 31, 2014 are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2015	\$26,252
2016	27,458
2017	28,719
2018	<u>17,357</u>
	<u>\$99,786</u>

SCARRITT-BENNETT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

N. LEASES - Continued

Operating Lease

The Center leases certain copier equipment under a non-cancelable operating lease. Rental expense for the years ended December 31, 2014 and 2013 amounted to approximately \$25,000 and \$26,000, respectively. Expected future minimum lease payments required under the non-cancelable lease are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2015	\$29,019
2016	29,019
2017	29,019
2018	<u>12,090</u>
	<u>\$99,147</u>

O. COLLECTIONS

The Centers maintains certain collections of artifacts, art, traditional pieces and other items. These items are held and displayed in the Center's various facilities for educational and exhibition purposes. Items are preserved, and cared for, and their condition maintained. Collection items are not included in the statements of financial position and the value of collection items given to the Center is not reflected as revenue. When applicable, the cost of objects purchased is reported in program expenses.

SCARRITT-BENNETT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

P. FAIR VALUE OF FINANCIAL INSTRUMENTS

Disclosures concerning the estimated fair value of financial instruments are presented below. The estimated fair value amounts have been determined based on the Center's assessment of available market information and appropriate valuation methodologies. The following table summarizes required fair value disclosures and measurements at December 31, 2014 and 2013, for assets measured at fair value on a recurring basis under ASC 820, *Fair Value Measurements and Disclosures*:

		<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>Quoted Prices in</u>	<u>Significant</u>	<u>Significant</u>
		<u>Active Markets for</u>	<u>Other Observable</u>	<u>Unobservable</u>
		<u>Identical Assets</u>	<u>Inputs</u>	<u>Inputs</u>
		<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
<u>Assets Measured</u>				
<u>at Fair Value</u>				
<u>December 31, 2014:</u>				
Investments:				
Short-term				
investments	\$ 571,431	\$ 571,431	\$ -	\$ -
Equities	3,878,290	3,878,290	-	-
Fixed income	<u>1,999,661</u>	<u>-</u>	<u>1,999,661</u>	<u>-</u>
Total investments	<u>\$6,449,382</u>	<u>\$4,449,721</u>	<u>\$1,999,661</u>	<u>\$ -</u>
Perpetual trusts				
held by third				
parties	<u>\$ 380,971</u>	<u>\$ 380,971</u>	<u>\$ -</u>	<u>\$ -</u>
<u>December 31, 2013:</u>				
Investments:				
Short-term				
investments	\$ 590,736	\$ 590,736	\$ -	\$ -
Equities	3,788,286	3,788,286	-	-
Fixed income	<u>2,159,540</u>	<u>-</u>	<u>2,159,540</u>	<u>-</u>
Total investments	<u>\$6,538,562</u>	<u>\$4,379,022</u>	<u>\$2,159,540</u>	<u>\$ -</u>
Perpetual trusts				
held by third				
parties	<u>\$ 388,015</u>	<u>\$ 388,015</u>	<u>\$ -</u>	<u>\$ -</u>

SCARRITT-BENNETT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

P. FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Investments

The fair value of short-term investments and equities are determined using primarily Level 1 inputs in accordance with ASC 820. The fair values of fixed income instruments are determined using primarily Level 2 inputs.

Perpetual Trusts Held by Third Parties

Fair value is based on Level 1 inputs, quoted market prices, where available.

Other

The Center's other financial instruments include accounts receivable, accounts payable and other liabilities, and the line-of-credit. The recorded values of accounts receivable and accounts payable and other liabilities approximate their fair values based on their short-term nature. The recorded value of the line-of-credit approximates fair value due to the instrument's variable rate nature.

Q. CONTINGENCIES

The Center is subject to potential claims and other legal proceedings arising in the ordinary course of its operations. Management consults with the Center's legal counsel in addressing such items. Certain allowances may be provided as information is available. During 2013, the Center became subject to a potential claim for which the outcome is not presently determinable but an unfavorable outcome could be significant. It is the opinion of management that the outcome is not presently determinable; therefore, no amount has been accrued in the financial statements.

R. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 12, 2015, the date the financial statements were available for issuance, and has determined that there was one subsequent event requiring disclosure. See Note M.

OTHER INFORMATION

SCARRITT-BENNETT CENTER
SCHEDULE OF REVENUES, GAINS AND OTHER SUPPORT
YEAR ENDED DECEMBER 31, 2014

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Contributions:				
UMW support and grants	\$ 253,594	\$ -	\$ -	\$ 253,594
Perpetual trust distributions	4,840	-	-	4,840
Other unrestricted Center gifts	114,621	-	-	114,621
	<u>373,055</u>	<u>-</u>	<u>-</u>	<u>373,055</u>
Fees:				
Audio/visual equipment fees	55,405	-	-	55,405
Catering	390,118	-	-	390,118
Dining hall use	27,452	-	-	27,452
Food service	196,935	-	-	196,935
Housing and meeting space	698,356	-	-	698,356
Program fees	35,137	-	-	35,137
Special lunches	10,046	-	-	10,046
Other fees	4,322	-	-	4,322
	<u>1,417,771</u>	<u>-</u>	<u>-</u>	<u>1,417,771</u>
Rent income and use of facilities:				
Bennett Hall	25,738	-	-	25,738
Chapel and forfeited deposits	296,485	-	-	296,485
Fondren Hall	59,719	-	-	59,719
International Room	13,494	-	-	13,494
Laskey Library	230,101	-	-	230,101
Ogburn House	-	-	-	-
	<u>625,537</u>	<u>-</u>	<u>-</u>	<u>625,537</u>
Other income:				
Gift shop	8,528	-	-	8,528
Gain on joint venture	82,815	-	-	82,815
Miscellaneous	7,016	-	-	7,016
	<u>98,359</u>	<u>-</u>	<u>-</u>	<u>98,359</u>
Contribution - facilities usage	<u>-</u>	<u>1,800,000</u>	<u>-</u>	<u>1,800,000</u>
Investment return designated for current operations	<u>341,567</u>	<u>100,206</u>	<u>-</u>	<u>441,773</u>
Net assets released from restrictions:				
Expiration of time restriction	1,800,000	(1,800,000)	-	-
Satisfaction of program restrictions	100,206	(100,206)	-	-
Total revenues, gains and other support	<u>\$ 4,756,495</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,756,495</u>

See independent auditor's report.

SCARRITT-BENNETT CENTER
SCHEDULE OF REVENUES, GAINS AND OTHER SUPPORT
YEAR ENDED DECEMBER 31, 2013

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Contributions:				
UMW support and grants	\$ 136,626	\$ -	\$ -	\$ 136,626
Perpetual trust distributions	5,218	-	-	5,218
Other unrestricted Center gifts	289,549	-	-	289,549
	<u>431,393</u>	<u>-</u>	<u>-</u>	<u>431,393</u>
Fees:				
Audio/visual equipment fees	64,239	-	-	64,239
Catering	381,610	-	-	381,610
Dining hall use	26,800	-	-	26,800
Food service	224,288	-	-	224,288
Housing and meeting space	754,368	-	-	754,368
Program fees	10,329	-	-	10,329
Special lunches	10,835	-	-	10,835
Other fees	3,334	-	-	3,334
	<u>1,475,803</u>	<u>-</u>	<u>-</u>	<u>1,475,803</u>
Rent income and use of facilities:				
Bennett Hall	34,252	-	-	34,252
Chapel and forfeited deposits	254,017	-	-	254,017
Fondren Hall	75,313	-	-	75,313
International Room	26,949	-	-	26,949
Laskey Library	246,649	-	-	246,649
Ogburn House	220	-	-	220
	<u>637,400</u>	<u>-</u>	<u>-</u>	<u>637,400</u>
Other income:				
Gift shop	21,783	-	-	21,783
Gain on joint venture	62,052	-	-	62,052
Miscellaneous	2,266	-	-	2,266
	<u>86,101</u>	<u>-</u>	<u>-</u>	<u>86,101</u>
Contribution - facilities usage	<u>-</u>	<u>1,800,000</u>	<u>-</u>	<u>1,800,000</u>
Investment return designated for current operations	<u>272,825</u>	<u>96,921</u>	<u>-</u>	<u>369,746</u>
Net assets released from restrictions:				
Expiration of time restriction	1,800,000	(1,800,000)	-	-
Satisfaction of program restrictions	107,891	(107,891)	-	-
Total revenues, gains and other support	<u>\$ 4,811,413</u>	<u>\$ (10,970)</u>	<u>\$ -</u>	<u>\$ 4,800,443</u>

See independent auditor's report.

SCARRITT-BENNETT CENTER
SCHEDULES OF EXPENSES
YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Program expenses:		
Food services:		
Catering food expense	\$ 3,472	\$ 8,362
Equipment repairs / maintenance	2,978	4,294
Equipment purchases	852	-
FICA expense	14,005	13,231
Flowers and courtesies	310	-
Food purchases	165,221	175,878
Insurance benefits	13,546	12,696
License fees and taxes	-	360
Linens	17,503	25,356
Maintenance contracts	319	123
Maintenance supplies	16,289	16,111
Office expense	162	481
Pension	7,267	7,057
Salaries and wages	187,716	175,970
Donations	1,801	2,242
Special events expense	596	-
	<u>432,037</u>	<u>442,161</u>
Gift shop:		
FICA expense	57	-
Merchandise	992	14,322
Office expense	90	-
Books and magazines	60	-
Printing and duplication	1,538	-
	<u>2,737</u>	<u>14,322</u>
Library:		
FICA expense	693	650
Salaries and wages	9,731	8,580
	<u>10,424</u>	<u>9,230</u>

SCARRITT-BENNETT CENTER
SCHEDULES OF EXPENSES- CONTINUED
YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
Rooms and guest services:		
Audio visual equipment rental	1,108	-
Carpet cleaning	3,792	6,130
Depreciation	37,164	23,141
Equipment/furniture purchases	3,482	2,318
FICA expense	15,499	18,148
Insurance benefits	44,337	41,605
Janitorial supplies	7,752	13,799
Linens	41,304	54,368
Miscellaneous	2,838	-
Meeting room expense	-	599
Office expense	1,597	2,414
Pension	16,617	22,326
Postage and freight	69	-
Restoration expense	1,050	110
Salaries and wages	203,824	247,733
Sales and use tax	(3,256)	-
Supplies	976	2,033
Uniforms	9,554	12,752
	<u>387,707</u>	<u>447,476</u>
Facilities and maintenance:		
Apartment cleaning	551	450
Building work	17,918	-
Cable TV	7,948	13,503
Consultants	895	-
Contract cleaning	-	1,388
Electrical supplies	3,655	1,997
Electricity	183,235	163,132
Equipment/furniture purchases	-	1,730
Equipment repairs/maintenance	1,389	-
FICA expense	9,122	5,978
Fuel	101,161	75,660
Heat/air conditioning repair	14,804	-
Insurance benefits	12,863	11,265
Janitorial supplies - maintenance	331	-

SCARRITT-BENNETT CENTER
SCHEDULES OF EXPENSES - CONTINUED
YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Lawn and garden	23,454	23,791
Linens	-	638
Maintenance contracts	84,450	43,444
Mechanical repairs	11,754	-
Miscellaneous	6,604	-
Office expense	18	477
Pension	6,038	7,085
Plumbing supplies	-	9
Printing and duplication	5	-
Rubbish removal	14,291	13,781
Salaries and wages	121,525	84,007
Satellite service	698	475
Security	91,502	99,325
Special events expense	54	2,334
Supplies	10,240	8,321
Tools	1,056	-
Travel	307	-
Tree service	-	7,075
Uniform service	1,240	258
Water	34,893	48,865
	<u>762,001</u>	<u>614,988</u>
Technology:		
Computer hardware	67,344	6,933
Computer perishables	1,383	55
Computer software	679	1,186
Consultants	43,452	12,290
Copier lease	24,576	18,826
Copy expense	9,451	10,796
Equipment/furniture purchases	1,970	1,778
Equipment repairs/maintenance	-	5,075
FICA expense	-	2,704
Insurance benefits	1,916	5,432
Internet charges	23,696	5,596
Maintenance contracts	18,974	49,793
Miscellaneous	90	-
Pension	-	3,552
Salaries and wages	-	36,389
Supplies	-	11
Special projects expense	6,744	22,307
Web hosting	748	-
	<u>201,023</u>	<u>182,723</u>

SCARRITT-BENNETT CENTER
SCHEDULES OF EXPENSES - CONTINUED
YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Marketing:		
Advertising/promotion	22,608	14,631
Consultants	-	143
Copier lease	-	6,980
Design expenses	239	-
Dues and subscriptions	1,270	-
Equipment/furniture purchases	-	2,754
FICA expense	6,634	4,712
Insurance benefits	18,791	16,112
Internet / web	162	-
Miscellaneous	73	-
Office expense	-	360
Pension	5,938	4,166
Postage and freight	572	-
Printing and duplicating	5,914	10,452
Salaries and wages	89,552	66,702
Signage expense	38	467
Special events expense	600	-
Supplies	1,241	3,907
Trade shows	1,300	-
	<u>154,932</u>	<u>131,386</u>
Programming:		
Business meals	412	-
Consultants	278	100
Dues and subscriptions	828	475
Educational supplies	231	153
Equipment/furniture purchases	392	-
Equipment rental	1,365	-
FICA expense	15,301	14,381
Flowers and courtesies	-	116
Honoraria	1,900	375
In-House meals	784	1,997
Insurance benefits	45,000	36,490
Intern expense	2,363	-
Lay Woman-in-Residence	(20)	-
Miscellaneous	565	-
Office expense	3,545	10
Peace garden	578	-
Pension	13,090	11,551
Performers and speakers	6,952	500
Program scholarships	360	-
Salaries and wages	208,964	163,927
Special events expense	23	-
Staff development	1,173	874
Staff travel	4,770	5,261
Supplies	50	282
	<u>308,904</u>	<u>236,492</u>

SCARRITT-BENNETT CENTER
SCHEDULES OF EXPENSES - CONTINUED
YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Soul Work:		
Consultants	10,400	10,400
Honoraria	1,000	350
In-house meals	39	-
License fees and taxes	116	116
Music	90	-
Performers and speakers	19,150	20,000
	<u>30,795</u>	<u>30,866</u>
Wisdom House:		
Merchandise	450	-
	<u>450</u>	<u>-</u>
Women's Table:		
Advertising	25	-
Books and magazines	73	274
Dues and subscriptions	-	625
In-house meals	101	-
Insurance benefits	2,442	1,669
International meeting room discounts	-	2,850
Intern expense	560	-
Miscellaneous	250	-
Salaries and wages	18,463	14,303
Special events expense	679	363
Staff development	1,745	-
Staff travel	110	83
Supplies	43	181
	<u>24,491</u>	<u>20,348</u>
Rent expense - use of facilities	<u>1,800,000</u>	<u>1,800,000</u>
Total program expenses	<u>4,115,501</u>	<u>3,929,992</u>

SCARRITT-BENNETT CENTER
SCHEDULES OF EXPENSES - CONTINUED
YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
Supporting services:		
Management and general:		
Accrued vacation	(2,680)	303
Advertising/ promotion	45	544
Auditing and accounting	27,800	28,290
Bad debt expense	1,321	11,769
Bankcard expense	41,538	45,720
Board travel and expense	18,413	26,435
Business meals	39	-
Consultants	7,892	9,681
Continuing education	-	18
Depreciation	53,480	32,804
Dues and subscriptions	2,104	2,100
Equipment/furniture purchases	1,862	107
Equipment repairs/maintenance	600	-
FICA expense	16,232	13,281
Flowers and courtesies	250	276
Human Resource expenses	1,539	2,802
In-House meals	18,969	21,152
Insurance	5,404	71,526
Insurance benefits	60,337	63,360
Interest expense	16,785	8,339
Legal	7,559	5,406
License fees and taxes	1,218	8,330
Loss on disposal of assets	5,190	-
Maintenance contracts	507	215
Miscellaneous	(16,980)	(1,993)
Music/piano	1,293	255
Office expense	3,611	3,213
Payroll processing fees	4,453	4,492
Pension	20,343	11,319
Postage and freight	3,198	3,599
President's office expense	-	2,601
Professional expenses	2,175	-
Program discounts	2,197	2,952
Salaries and wages	216,460	219,466
Special events expense	(2,311)	-
Staff development	1,301	1,757
Staff gathering	1,076	(400)
Staff travel	9,439	1,497
Supplies	1,281	2,478
Telephone	24,463	45,289
	<u>558,403</u>	<u>648,983</u>

SCARRITT-BENNETT CENTER
SCHEDULES OF EXPENSES - CONTINUED
YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Fundraising/Development:		
Alumni expenses	1,122	-
Consultants	503	-
Cultivation expense	721	419
Donations / alumnae	(7,268)	(6,475)
FICA expense	3,972	3,810
In-House meals	-	43
Insurance benefits	6,925	6,440
Pension	4,131	4,860
Postage and freight	1,656	12,632
Salaries and wages	52,337	51,477
Speakers and performers' fees	665	12,195
Special events expense	654	1,675
Staff travel	3,139	3,188
	<u>68,557</u>	<u>90,264</u>
Sales:		
Equipment rental	13,913	19,866
Equipment/furniture purchases	2,189	-
Equipment repairs/maintenance	525	-
FICA expense	8,692	6,941
Flowers and courtesies	68	-
Insurance benefits	16,688	12,689
Office expense	22	-
Pension	7,482	8,005
Professional development	298	-
Salaries and wages	118,885	94,493
Special events expense	3,350	4,598
Supplies	162	15
Trade shows	99	607
	<u>172,373</u>	<u>147,214</u>
Total supporting services	<u>799,333</u>	<u>886,461</u>
Total expenses	<u>\$ 4,914,834</u>	<u>\$ 4,816,453</u>

See independent auditor's report.

SCARRITT-BENNETT CENTER
SCHEDULE OF CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2014

	Balance Beginning of Year	Additions			Balance End of Year
		Gifts	Income Added to Principal	Gain/(Loss) on Investments	
Permanently Restricted Net Assets:					
Donor-Restricted Endowments -					
Unrestricted Investment Earnings:					
Allison, William Roy and Louise	\$ 76,558	\$ -	\$ -	\$ -	\$ 76,558
Ansley, Mildred	200,000	-	-	-	200,000
Bethea, Betty Sue	62,500	-	-	-	62,500
Browning, Emma	4,925	-	-	-	4,925
Cadwallader, Evangelism Chair	677,537	-	-	-	677,537
Campbell, Barbara	2,500	-	-	-	2,500
Carey, Phyllis Ordwein	20,000	-	-	-	20,000
Chappell, Clovis G.	10,000	-	-	-	10,000
Craig, Susie C. Estate	5,000	-	-	-	5,000
Du Bois - Rebecca Wilson Memorial	221,123	-	-	-	221,123
Durham, Milton	8,831	-	-	-	8,831
Fisher, Margaret Estate	5,300	-	-	-	5,300
Fisher, Robert E.	16,500	-	-	-	16,500
Floyd, Milton & Phillips, Lena McQueen	5,000	-	-	-	5,000
Fridy, Martha Baskett	6,749	-	-	-	6,749
General Endowment	986,665	-	-	-	986,665
George, Estate of Evelyn	112,780	-	-	-	112,780
Hall, Clyde W.	11,470	-	-	-	11,470
Howell, Mable K.	91,801	-	-	-	91,801
Hunter, S. S.	5,000	-	-	-	5,000
Kern Memorial Fund	10,704	-	-	-	10,704
Killingsworth Trust, Louise and Mathilde	6,335	-	-	-	6,335
Kresge Memorial Fund	25,410	-	-	-	25,410
McWhirter, Susie	5,017	-	-	-	5,017
Morgan, Elma	5,190	-	-	-	5,190
Orgain, Jessamine Perpetual Trust	192,515	-	-	(6,019)	186,496
Perkins, Dorothy Joe	20,000	-	-	-	20,000
Redus - Atchley	7,965	-	-	-	7,965
Riddle, Napoleon Bonapart	1,000	-	-	-	1,000
Steele, Mrs. Neva S.	27,975	-	-	-	27,975
Small, Mary Jane Matthews	8,727	-	-	-	8,727
Snyder, W. K. Estate	139,068	-	-	-	139,068
Summers, Lemuel C.	5,000	-	-	-	5,000
Texas Conference - WSCS	11,556	-	-	-	11,556
Thompson, Elizabeth A.	7,037	-	-	-	7,037
Todd, Estate of Mary A.	10,218	-	-	-	10,218
Waldrop, Nancy G.	10,000	-	-	-	10,000
Whittle, Tyle	8,000	-	-	-	8,000
Wickline, Marvin Memorial	20,000	-	-	-	20,000
WSCS - North Alabama Conference	5,243	-	-	-	5,243
Young, Louise	9,589	-	-	-	9,589
	3,066,788	-	-	(6,019)	3,060,769

SCARRITT-BENNETT CENTER
SCHEDULE OF CHANGES IN NET ASSETS - CONTINUED
YEAR ENDED DECEMBER 31, 2014

	Balance Beginning of Year	Gifts	Additions Income Added to Principal	Net Gain/(Loss) on Investments	Balance End of Year
Donor-Restricted Endowments -					
Income Restricted For General Scholarships:					
Barnes, Jane E.	5,000	-	-	-	5,000
Barnett, Ola Lee Perpetual Trust	195,500	-	-	(1,025)	194,475
Beck Fund	9,400	-	-	-	9,400
Bice, C. E.	6,000	-	-	-	6,000
Brewer, Pet Melton	8,300	-	-	-	8,300
Brown, Winstead	2,968	-	-	-	2,968
Burton, Edith	5,000	-	-	-	5,000
Edinger, Andrew - Emma	13,265	-	-	-	13,265
Fishburn, Collie L.	10,657	-	-	-	10,657
Fowler, Emmett D.	5,000	-	-	-	5,000
Frantz Fund	2,065	-	-	-	2,065
General Scholarship Fund	89,880	-	-	-	89,880
Giles, Stella H.	77,444	-	-	-	77,444
Glendenning, Mary E.	22,810	-	-	-	22,810
Goddard, Carrie L.	9,527	-	-	-	9,527
Haas, Hattie	5,694	-	-	-	5,694
Haskins, Sarah Estelle	12,168	-	-	-	12,168
Heard, Lucy Hyda	107,724	-	-	-	107,724
Hooser, Ruby Van	6,720	-	-	-	6,720
Jarrett, Katherine S.	14,000	-	-	-	14,000
Joy Fund	10,000	-	-	-	10,000
Kreiger Scholarship Loan	38,121	-	-	-	38,121
Minnie Lee Lancaster Trust	8,419	-	-	-	8,419
Lewis Memorial - June North	11,852	-	-	-	11,852
Lunden, Samuel E. & Leila A.	260,533	-	-	-	260,533
Maddin, Mary Belle Keith	17,874	-	324	-	18,198
Madely, D. A.	10,000	-	-	-	10,000
McCready, Isabel Bennett	161,134	-	-	-	161,134
Miller, Margaret Ross	15,000	-	-	-	15,000
Miller, Marion	10,000	-	-	-	10,000
Moore, Nell Proffit	3,732	-	-	-	3,732
Myers, Mary Elizabeth	26,580	-	-	-	26,580
Neblett, Sterling Augustus	5,978	-	-	-	5,978
Payne, Mrs. G. A.	3,987	-	-	-	3,987
Poynter, Harriet & Juliet	13,500	-	-	-	13,500
Pratt, Carrie Bexton	2,500	-	-	-	2,500
Richardson, Dr. Mary McDaniel	6,000	-	-	-	6,000
Saunders Family	5,734	-	-	-	5,734
Sensabaugh Fund	56,715	-	-	-	56,715
Towner, Ruth Memorial	5,610	-	-	-	5,610
Woodruff, Annie Lou Scholarship	37,956	-	-	-	37,956
	1,320,347	-	324	(1,025)	1,319,646
Donor-Restricted Endowments -					
Earnings Restricted for Various Purposes:					
Centennial Global Scholars Fund	15,000	-	-	-	15,000
Miller, George - Lectures	25,000	-	-	-	25,000
Library Endowment	10,000	-	-	-	10,000
	50,000	-	-	-	50,000
Total Permanently Restricted Net Assets -					
(Donor-Restricted Endowments)	\$ 4,437,135	\$ -	\$ 324	\$ (7,044)	\$ 4,430,415

SCARRITT-BENNETT CENTER
SCHEDULE OF CHANGES IN NET ASSETS - CONTINUED
YEAR ENDED DECEMBER 31, 2014

	Balance Beginning of Year	Additions Income	Deductions Maturities and Expenditures	Other	Balance End of Year
Investment Earnings From Donor-Restricted Endowments - Temporarily Restricted:					
Centennial Global Scholars Fund					
Earnings net of expenditures	\$ 28,559	\$ 246	\$ -	\$ -	\$ 28,805
Realized and unrealized gains and losses	24,286	2,918	-	-	27,204
	52,845	3,164	-	-	56,009
Miller, George A., Lectureship					
Earnings net of expenditures	41,312	357	-	-	41,669
Realized and unrealized gains and losses	35,243	4,235	-	-	39,478
	76,555	4,592	-	-	81,147
Library Endowment					
Earnings net of expenditures	683	6	-	-	689
Realized and unrealized gains and losses	401	48	-	-	449
	1,084	54	-	-	1,138
General Endowment - Scholarship					
Earnings net of expenditures	(1,000,182)	24,613	(100,206)	-	(1,075,775)
Realized and unrealized gains and losses	1,419,232	70,807	-	-	1,490,039
	419,050	95,420	(100,206)	-	414,264
General Endowment - Unrestricted					
Earnings net of expenditures	(3,173,882)	47,149	(189,824)	-	(3,316,557)
Realized and unrealized gains and losses	3,706,209	135,080	-	-	3,841,289
	532,327	182,229	(189,824)	-	524,732
Total Investment Earnings From Donor-Restricted Endowments - Temporarily Restricted	1,081,861	285,459	(290,030)	-	1,077,290
Other Temporarily Restricted Net Assets:					
Facilities usage - time restricted	1,800,000	1,800,000	(1,800,000)	-	1,800,000
Total Other Temporarily Restricted Net Assets	1,800,000	1,800,000	(1,800,000)	-	1,800,000
Total Temporarily Restricted Net Assets	\$ 2,881,861	\$ 2,085,459	\$ (2,090,030)	\$ -	\$ 2,877,290
Unrestricted Net Assets - Board Designated Endowments:					
General	\$ 569,119	\$ -	\$ -	\$ -	\$ 569,119
Kresge Memorial	777,810	-	-	-	777,810
Harrison Memorial	116,575	-	-	-	116,575
Realized and unrealized gains and losses	2,288,293	45,353	-	-	2,333,646
Earnings net of expenditures	(1,798,727)	21,457	(151,743)	-	(1,929,013)
Total Unrestricted Net Assets - Board Designated Endowments	1,953,070	66,810	(151,743)	-	1,868,137
Total Unrestricted and Undesignated Net Assets	725,186	-	-	(158,339)	566,847
Total Unrestricted Net Assets	\$ 2,678,256	\$ 66,810	\$ (151,743)	\$ (158,339)	\$ 2,434,984

See independent auditor's report.