

SCARRITT-BENNETT CENTER

**FINANCIAL STATEMENTS
AND OTHER INFORMATION**

DECEMBER 31, 2015 AND 2014

SCARRITT-BENNETT CENTER

Table of Contents

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4 - 5
Statements of Cash Flows.....	6
Notes to Financial Statements	7 - 25
OTHER INFORMATION	
Schedules of Revenues, Gains and Other Support	26 - 27
Schedules of Expenses.....	28 - 34
Schedule of Changes in Net Assets	35 - 37



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, 2015 and 2014, 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, 2015 and 2014, 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 10, 2016

SCARRITT-BENNETT CENTER
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

	2015			2014
	Current Operations	Endowment	Total	Total
ASSETS				
Cash	\$ 127,104	\$ -	\$ 127,104	\$ -
Receivables	126,860	26,907	153,767	53,487
Inventory	13,426	-	13,426	6,418
Property and equipment, net	1,292,830	-	1,292,830	716,458
Leasehold rights - facilities usage	1,800,000	-	1,800,000	1,800,000
Investment in joint venture	1,195,067	-	1,195,067	1,309,059
Investments	-	5,953,831	5,953,831	6,449,382
Perpetual trusts held by third parties	-	376,177	376,177	380,971
Total assets	<u>\$ 4,555,287</u>	<u>\$ 6,356,915</u>	<u>\$ 10,912,202</u>	<u>\$ 10,715,775</u>
LIABILITIES				
Accounts payable and accrued expenses	\$ 340,653	\$ -	\$ 340,653	\$ 303,327
Deposits	456,381	-	456,381	298,223
Capital lease obligation	73,534	-	73,534	99,786
Note payable - line of credit	476,750	-	476,750	271,750
Due to (from) other funds	518,582	(518,582)	-	-
Total liabilities	<u>1,865,900</u>	<u>(518,582)</u>	<u>1,347,318</u>	<u>973,086</u>
NET ASSETS				
Donor restricted:				
Permanently	-	4,425,621	4,425,621	4,430,415
Temporarily	1,837,441	873,598	2,711,039	2,877,290
Unrestricted:				
Board designated for long-term investment	-	1,576,278	1,576,278	1,868,137
Undesignated	851,946	-	851,946	566,847
Total net assets	<u>2,689,387</u>	<u>6,875,497</u>	<u>9,564,884</u>	<u>9,742,689</u>
Total liabilities and net assets	<u>\$ 4,555,287</u>	<u>\$ 6,356,915</u>	<u>\$ 10,912,202</u>	<u>\$ 10,715,775</u>

See accompanying notes to the financial statements.

SCARRITT-BENNETT CENTER
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Contributions	\$ 793,358	\$ 45,725	\$ -	\$ 839,083
Fees	1,513,402	-	-	1,513,402
Rent income and use of facilities	619,965	-	-	619,965
Other income	101,197	-	-	101,197
Contribution - facilities usage	-	1,800,000	-	1,800,000
Investment return designated for current operations	374,780	100,804	-	475,584
Net assets released from restrictions:				
Expiration of time restriction	1,800,000	(1,800,000)	-	-
Satisfaction of program restrictions	109,088	(109,088)	-	-
Total revenues, gains and other support	<u>5,311,790</u>	<u>37,441</u>	<u>-</u>	<u>5,349,231</u>
EXPENSES				
Program expenses:				
Food services	409,725	-	-	409,725
Gift shop	3,457	-	-	3,457
Library	9,840	-	-	9,840
Rooms and guest services	353,988	-	-	353,988
Facilities and maintenance	838,645	-	-	838,645
Technology	237,140	-	-	237,140
Marketing	174,398	-	-	174,398
Programming	264,797	-	-	264,797
Soul Work	32,479	-	-	32,479
Wisdom House	-	-	-	-
Women's Table	37,001	-	-	37,001
Rent expense	1,800,000	-	-	1,800,000
Supporting services:				
Management and general	617,818	-	-	617,818
Fundraising	79,965	-	-	79,965
Sales	167,438	-	-	167,438
Total expenses	<u>5,026,691</u>	<u>-</u>	<u>-</u>	<u>5,026,691</u>
Changes in net assets from operations	<u>285,099</u>	<u>37,441</u>	<u>-</u>	<u>322,540</u>
OTHER CHANGES				
Investment return under amount designated for current operations	<u>(291,859)</u>	<u>(203,692)</u>	<u>(4,794)</u>	<u>(500,345)</u>
Change in net assets	(6,760)	(166,251)	(4,794)	(177,805)
NET ASSETS AT BEGINNING OF YEAR	<u>2,434,984</u>	<u>2,877,290</u>	<u>4,430,415</u>	<u>9,742,689</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,428,224</u>	<u>\$ 2,711,039</u>	<u>\$ 4,425,621</u>	<u>\$ 9,564,884</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	<u>(243,272)</u>	<u>(4,571)</u>	<u>(6,720)</u>	<u>(254,563)</u>
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
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015			2014
	Current Operations	Endowment	Total	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in net assets	\$ 322,540	\$ (500,345)	\$ (177,805)	\$ (254,563)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Depreciation expense	128,251	-	128,251	90,644
Loss on disposal of equipment	-	-	-	5,190
Realized and unrealized losses (gains) on investments	-	120,332	120,332	(258,441)
Gain from joint venture	(123,689)	-	(123,689)	(82,815)
(Increase) decrease in:				
Accounts receivable	(100,280)	-	(100,280)	7,173
Inventory	(7,008)	-	(7,008)	2,477
Perpetual trusts held by third parties	-	4,794	4,794	7,044
Increase (decrease) in:				
Accounts payable and other liabilities	37,326	-	37,326	55,730
Deposits	158,158	-	158,158	(5,441)
Net cash provided by (used in) operating activities	415,298	(375,219)	40,079	(433,002)
CASH FLOWS FROM INVESTING ACTIVITIES				
Distributions received from joint venture	237,681	-	237,681	173,062
Purchases of investments	-	(795,409)	(795,409)	(615,072)
Proceeds from sale of investments	-	1,170,628	1,170,628	962,693
Purchases of property and equipment	(704,623)	-	(704,623)	(238,111)
Net cash (used in) provided by investing activities	(466,942)	375,219	(91,723)	282,572
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments on capital lease obligation	(26,252)	-	(26,252)	(21,940)
Net borrowings under line of credit	205,000	-	205,000	110,607
Net cash provided by financing activities	178,748	-	178,748	88,667
NET CHANGE IN CASH	127,104	-	127,104	(61,763)
CASH AT BEGINNING OF YEAR	-	-	-	61,763
CASH AT END OF YEAR	<u>\$ 127,104</u>	<u>\$ -</u>	<u>\$ 127,104</u>	<u>\$ -</u>
SUPPLEMENTAL CASH FLOW INFORMATION:				
Cash paid for interest	<u>\$ 8,172</u>	<u>\$ -</u>	<u>\$ 8,172</u>	<u>\$ 16,785</u>

See accompanying notes to the financial statements.

SCARRITT-BENNETT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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-entity 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, 2015 AND 2014

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, 2015 AND 2014

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, 2015 and 2014, 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, 2015 or 2014.

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.

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, 2015 AND 2014

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 2012 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, 2015 and 2014, was \$33,447 and \$22,678, 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, 2015 AND 2014

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, 2015 and 2014, the fair value and cost of investments are as follows:

	<u>2015</u>		<u>2014</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Short-term investments	\$ 590,649	\$ 590,649	\$ 571,431	\$ 571,431
Equities	3,650,004	2,484,735	3,878,290	2,470,477
Fixed income	<u>1,713,178</u>	<u>1,661,113</u>	<u>1,999,661</u>	<u>1,891,271</u>
	<u>\$5,953,831</u>	<u>\$4,736,497</u>	<u>\$6,449,382</u>	<u>\$4,933,179</u>

The following schedule summarizes the investment return and its classification in the statements of activities for the years ended December 31, 2015 and 2014:

	<u>2015</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividend income, net of fees	\$ 16,596	\$ 83,769	\$ -	\$ 100,365
Net realized and unrealized losses on long-term investments	(27,189)	(93,143)	(4,794)	(125,126)
Spending rule appropriation and reclassification	<u>93,514</u>	<u>(93,514)</u>	<u>-</u>	<u>-</u>
	<u>\$ 82,921</u>	<u>\$(102,888)</u>	<u>\$(4,794)</u>	<u>\$(24,761)</u>
Investment return designated for current operations	\$ 374,780	\$ 100,804	\$ -	\$ 475,584
Investment return under amount designated for current operations	<u>(291,859)</u>	<u>(203,692)</u>	<u>(4,794)</u>	<u>(500,345)</u>
	<u>\$ 82,921</u>	<u>\$(102,888)</u>	<u>\$(4,794)</u>	<u>\$(24,761)</u>

SCARRITT-BENNETT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

B. INVESTMENTS - Continued

	2014			
	<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>

Investment expenses of approximately \$78,200 and \$81,200 in 2015 and 2014, 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, 2015 and 2014, the fair value of the assets held under the agreement was \$187,926 and \$186,496, 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, 2015 and 2014, the fair value of the assets held under the second agreement was \$188,251 and \$194,475, respectively.

SCARRITT-BENNETT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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, 2015 AND 2014

D. ENDOWMENT - Continued

Endowment net assets are composed of the following at December 31, 2015:

	2015			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$873,598	\$4,425,621	\$5,299,219
Board-designated endowment funds	<u>1,576,278</u>	<u>-</u>	<u>-</u>	<u>1,576,278</u>
	<u>\$1,576,278</u>	<u>\$873,598</u>	<u>\$4,425,621</u>	<u>\$6,875,497</u>

Changes in endowment net assets are as follows for the year ended December 31, 2015:

Endowment net assets, beginning of year	\$ 1,868,137	\$ 1,077,290	\$ 4,430,415	\$ 7,375,842
Investment return:				
Investment income	16,596	83,769	-	100,365
Net realized and unrealized losses	<u>(27,189)</u>	<u>(93,143)</u>	<u>(4,794)</u>	<u>(125,126)</u>
Total investment loss	(10,593)	(9,374)	(4,794)	(24,761)
Appropriation of endowment gains for expenditure	<u>(281,266)</u>	<u>(194,318)</u>	<u>-</u>	<u>(475,584)</u>
Endowment net assets, end of year	<u>\$ 1,576,278</u>	<u>\$ 873,598</u>	<u>\$ 4,425,621</u>	<u>\$ 6,875,497</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, 2015 and 2014, 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, 2015 AND 2014

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
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>

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, 2015 or 2014.

SCARRITT-BENNETT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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 5.5% 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 Center'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, 2015 AND 2014

D. ENDOWMENT - Continued

	<u>2015</u>	<u>2014</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>\$4,425,621</u>	<u>\$4,430,415</u>
	<u>2015</u>	<u>2014</u>
Temporarily Restricted Net Assets:		
The portion of perpetual endowment funds subject to time or other restrictions under TPMIFA:		
Without purpose restrictions	\$444,336	\$ 524,732
With purpose restrictions	<u>429,262</u>	<u>552,558</u>
	<u>\$873,598</u>	<u>\$1,077,290</u>

E. PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2015 and 2014, is as follows:

	<u>2015</u>	<u>2014</u>
Improvements	\$ 1,412,363	\$ 909,245
Furniture	92,805	92,805
Equipment	<u>803,151</u>	<u>609,541</u>
	2,308,319	1,611,591
Less accumulated depreciation	<u>(1,015,489)</u>	<u>(895,133)</u>
	<u>\$ 1,292,830</u>	<u>\$ 716,458</u>

Included in equipment at December 31, 2015 and 2014 is certain equipment under a capital lease obligation (See Note N).

SCARRITT-BENNETT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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 \$5,554,027 and \$5,650,000 at December 31, 2015 and 2014, 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, 2015 and 2014, is as follows:

	<u>2015</u>	<u>2014</u>
Total assets	\$6,930,450	\$7,197,015
Total liabilities	<u>5,734,690</u>	<u>5,828,174</u>
Equity	<u>\$1,195,760</u>	<u>\$1,368,841</u>

Net revenues of Midtown Place totaled \$964,160 and \$937,102 for 2015 and 2014, respectively. The Center's share of Midtown Place's net income for 2015 and 2014 was \$123,689 and \$82,815, respectively. The Center received distributions from Midtown Place totaling \$237,681 and \$173,062 in 2015 and 2014, 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, 2015 or 2014.

SCARRITT-BENNETT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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, 2015 and 2014, was \$76,409 and \$80,906, 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 \$94,000,000 and \$110,000,000 and the Plan’s unfunded expected postretirement benefit obligation (“EPBO”) was approximately \$134,000,000 and \$151,000,000 as of December 31, 2015 and 2014, 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 \$198,892 and \$222,845 in 2015 and 2014, respectively.

SCARRITT-BENNETT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

I. RELATED PARTY TRANSACTIONS

The United Methodist Women (“UMW”) appoints 8 of the 24 voting directors of Scarritt-Bennett Center. In 2015 and 2014, the UMW provided the Center with financial support of \$100,000 in each year and grants in the amount of \$572,004 and \$153,594, 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, 2015 and 2014, which represents the right to use the facilities for 2015 and 2014, respectively. The related rent expense was \$1,800,000 for 2015 and 2014. The leasehold rights - facilities usage as of December 31, 2015 and 2014, is a temporarily restricted net asset.

SCARRITT-BENNETT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

K. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Time restrictions:		
Facilities usage	\$1,800,000	\$1,800,000
General endowment - net accumulated gains	429,262	524,732
Amounts designated for specific programs:		
Miller lectureship	80,261	81,147
Centennial Global Scholars Fund	55,400	56,009
General unrestricted scholarships	307,545	414,264
Library	1,130	1,138
Other	<u>37,441</u>	<u>-</u>
	<u>\$2,711,039</u>	<u>\$2,877,290</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>2015</u>	<u>2014</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>109,088</u>	<u>100,206</u>
	<u>\$1,909,088</u>	<u>\$1,900,206</u>

Permanently restricted net assets consist of the following:

	<u>2015</u>	<u>2014</u>
General endowment	\$3,062,199	\$3,060,769
Scholarships	1,313,422	1,319,646
Other	<u>50,000</u>	<u>50,000</u>
	<u>\$4,425,621</u>	<u>\$4,430,415</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, 2015 AND 2014

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 line-of-credit facility with a financial institution, the balance of which was \$476,750 and \$271,750 at December 31, 2015 and 2014, respectively. During August 2015, the line-of-credit limit was increased from \$430,000 to \$563,000, and the line-of-credit was renewed through November 2015. On November 1, 2015, the line-of-credit was renewed through November 2016. 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, 2015 and 2014, was \$8,172 and \$16,785, respectively. The line-of-credit is secured by certain unrestricted investments.

N. LEASES AND COMMITMENTS

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 \$73,534 and \$99,786, net of accumulated depreciation of \$61,480 and \$35,228 at December 31, 2015 and 2014, respectively.

Minimum future lease payments under the capital lease as of December 31, 2015 are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2016	\$27,458
2017	28,719
2018	<u>17,357</u>
	<u>\$73,534</u>

SCARRITT-BENNETT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

N. LEASES - Continued

Operating Leases and Other Commitments

The Center leases certain copier equipment under a non-cancelable operating lease. The Center also has commitments through agreements for certain maintenance of facilities and security and fire monitoring. Expenses associated with operating leases and commitments for the years ended December 31, 2015 and 2014 amounted to approximately \$61,000 and \$25,000, respectively. Expected future minimum lease payments required under the non-cancelable agreements are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2016	\$140,571
2017	140,571
2018	123,643
2019	42,440
2020	<u>2,915</u>
	<u>\$450,140</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, 2015 AND 2014

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, 2015 and 2014, 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, 2015:</u>				
Investments:				
Short-term				
investments	\$ 590,649	\$ 590,649	\$ -	\$ -
Equities	3,650,004	3,650,004	-	-
Fixed income	<u>1,713,178</u>	<u>-</u>	<u>1,713,178</u>	<u>-</u>
Total investments	<u>\$5,953,831</u>	<u>\$4,240,653</u>	<u>\$1,713,178</u>	<u>\$ -</u>
Perpetual trusts				
held by third				
parties	<u>\$ 376,177</u>	<u>\$ 376,177</u>	<u>\$ -</u>	<u>\$ -</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>

SCARRITT-BENNETT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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 2014, the Center became subject to a claim which was settled in August 2016. The settlement was within the Center's insurance coverage. It is the opinion of management that there is no pending or threatened litigation that would have a material adverse effect on the Center.

R. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 10, 2016, the date the financial statements were available for issuance, and has determined that there were no subsequent events requiring disclosure.

OTHER INFORMATION

SCARRITT-BENNETT CENTER
SCHEDULE OF REVENUES, GAINS AND OTHER SUPPORT
YEAR ENDED DECEMBER 31, 2015

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Contributions:				
UMW support and grants	\$ 672,004	\$ -	\$ -	\$ 672,004
Perpetual trust distributions	4,625	-	-	4,625
Other gifts	116,729	45,725	-	162,454
	<u>793,358</u>	<u>45,725</u>	<u>-</u>	<u>839,083</u>
Fees:				
Audio/visual equipment fees	52,194	-	-	52,194
Catering	337,419	-	-	337,419
Dining hall use	20,348	-	-	20,348
Food service	268,186	-	-	268,186
Housing and meeting space	773,666	-	-	773,666
Program fees	54,505	-	-	54,505
Special lunches	2,205	-	-	2,205
Other fees	4,879	-	-	4,879
	<u>1,513,402</u>	<u>-</u>	<u>-</u>	<u>1,513,402</u>
Rent income and use of facilities:				
Bennett Hall	33,245	-	-	33,245
Chapel and forfeited deposits	274,649	-	-	274,649
Fondren Hall	49,175	-	-	49,175
International Room	27,341	-	-	27,341
Laskey Library	235,555	-	-	235,555
Ogburn House	-	-	-	-
	<u>619,965</u>	<u>-</u>	<u>-</u>	<u>619,965</u>
Other income:				
Gift shop	564	-	-	564
Gain on joint venture	123,689	-	-	123,689
Miscellaneous	(23,056)	-	-	(23,056)
	<u>101,197</u>	<u>-</u>	<u>-</u>	<u>101,197</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>374,780</u>	<u>100,804</u>	<u>-</u>	<u>475,584</u>
Net assets released from restrictions:				
Expiration of time restriction	1,800,000	(1,800,000)	-	-
Satisfaction of program restrictions	109,088	(109,088)	-	-
Total revenues, gains and other support	<u>\$ 5,311,790</u>	<u>\$ 37,441</u>	<u>\$ -</u>	<u>\$ 5,349,231</u>

See independent auditor's report.

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 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
SCHEDULES OF EXPENSES
YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Program expenses:		
Food services:		
Catering food expense	\$ 9,214	\$ 3,472
Equipment repairs/maintenance	2,292	2,978
Equipment purchases	133	852
FICA expense	13,750	14,005
Flowers and courtesies	242	310
Food purchases	131,967	165,221
Insurance benefits	14,117	13,546
License fees and taxes	543	-
Linens	24,835	17,503
Maintenance contracts	885	319
Maintenance supplies	15,768	16,289
Miscellaneous	115	-
Office expense	-	162
Pension	7,282	7,267
Salaries and wages	186,793	187,716
Donations	1,789	1,801
Special events expense	-	596
	<u>409,725</u>	<u>432,037</u>
Gift shop:		
FICA expense	-	57
Merchandise	(448)	992
Office expense	-	90
Books and magazines	-	60
Printing and duplication	3,905	1,538
	<u>3,457</u>	<u>2,737</u>
Library:		
FICA expense	688	693
Salaries and wages	9,152	9,731
	<u>9,840</u>	<u>10,424</u>

SCARRITT-BENNETT CENTER
SCHEDULES OF EXPENSES- CONTINUED
YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
Rooms and guest services:		
Audio visual equipment rental	-	1,108
Carpet cleaning	-	3,792
Depreciation	14,400	37,164
Dues and subscriptions	630	-
Equipment/furniture purchases	3,778	3,482
FICA expense	14,266	15,499
Insurance benefits	46,111	44,337
Janitorial supplies	3,398	7,752
Linens	43,832	41,304
Miscellaneous	1,386	2,838
Office expense	4,925	1,597
Pension	12,815	16,617
Postage and freight	(109)	69
Restoration expense	105	1,050
Salaries and wages	201,954	203,824
Sales and use tax	5,486	(3,256)
Supplies	534	976
Uniforms	477	9,554
	<u>353,988</u>	<u>387,707</u>
Facilities and maintenance:		
Apartment cleaning and maintenance	925	551
Building work	48,178	17,918
Cable TV	3,807	7,948
Consultants	59,335	895
Contract cleaning	10,963	-
Dues and subscriptions	110	-
Electrical supplies	4,483	3,655
Electricity	160,934	183,235
Equipment repairs/maintenance	3,967	1,389
FICA expense	8,757	9,122
Fuel	88,470	101,161
Heat/air conditioning repair	114,398	14,804
Insurance benefits	15,705	12,863
Janitorial supplies - maintenance	-	331

SCARRITT-BENNETT CENTER
SCHEDULES OF EXPENSES - CONTINUED
YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Lawn and garden	3,993	23,454
Maintenance contracts	(15,948)	84,450
Mechanical repairs	609	11,754
Miscellaneous	3,128	6,604
Office expense	149	18
Pension	8,613	6,038
Plumbing supplies	632	-
Printing and duplication	-	5
Rubbish removal	4,566	14,291
Salaries and wages	121,837	121,525
Satellite service	1,207	698
Security	148,495	91,502
Special events expense	-	54
Supplies	20	10,240
Tools	846	1,056
Travel	-	307
Tree service	3,925	-
Uniform service	610	1,240
Water	35,931	34,893
	<u>838,645</u>	<u>762,001</u>
Technology:		
Computer hardware	54,444	67,344
Computer perishables	270	1,383
Computer software	5,505	679
Consultants	80,239	43,452
Copier lease	31,108	24,576
Copy expense	(2,680)	9,451
Equipment/furniture purchases	-	1,970
Insurance benefits	-	1,916
Internet charges	20,855	23,696
Maintenance contracts	27,112	18,974
Miscellaneous	-	90
Special projects expense	1,756	6,744
Telephone expense	17,932	-
Web hosting	599	748
	<u>237,140</u>	<u>201,023</u>

SCARRITT-BENNETT CENTER
SCHEDULES OF EXPENSES - CONTINUED
YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Marketing:		
Advertising/promotion	33,447	22,608
Continuing education	180	-
Design expenses	164	239
Dues and subscriptions	4,223	1,270
Equipment/furniture purchases and rentals	1,587	-
FICA expense	6,627	6,634
Insurance benefits	14,020	18,791
Internet/web	3,589	162
Miscellaneous	1,349	73
Office expense	141	-
Pension	6,274	5,938
Postage and freight	136	572
Printing and duplicating	227	5,914
Salaries and wages	91,052	89,552
Signage expense	5,667	38
Special events expense	4,914	600
Supplies	336	1,241
Trade shows and travel	465	1,300
	<u>174,398</u>	<u>154,932</u>
Programming:		
Business meals	157	412
Consultants	-	278
Dues and subscriptions	54	828
Educational supplies	186	231
Equipment/furniture purchases	364	392
Equipment rental	-	1,365
FICA expense	12,237	15,301
Flowers and courtesies	34	-
Honoraria	20,438	1,900
In-House meals	94	784
Insurance benefits	32,458	45,000
Intern expense	-	2,363
Lay Woman-in-Residence	-	(20)
Miscellaneous	8,284	565
Office expense	952	3,545
Peace garden	-	578
Pension	13,894	13,090
Performers and speakers	445	6,952
Program scholarships	-	360
Salaries and wages	172,918	208,964
Special events expense	-	23
Staff development	-	1,173
Staff travel and transportation	2,237	4,770
Supplies	45	50
	<u>264,797</u>	<u>308,904</u>

SCARRITT-BENNETT CENTER
SCHEDULES OF EXPENSES - CONTINUED
YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Soul Work:		
Consultants	10,400	10,400
Honoraria	2,400	1,000
In-house meals	-	39
License fees and taxes	124	116
Music	-	90
Performers and speakers	18,724	19,150
Supplies	45	-
Travel	786	-
	<u>32,479</u>	<u>30,795</u>
Wisdom House:		
Merchandise	-	450
	<u>-</u>	<u>450</u>
Women's Table:		
Advertising	-	25
Books and magazines	200	73
Consultants	1,516	-
Dues and subscriptions	780	-
Equipment rental	1,611	-
Honoraria	1,125	-
In-house meals	801	101
Insurance benefits	-	2,442
Internal meeting room and food discounts	2,828	-
Intern expense	1,453	560
Miscellaneous	317	250
Office expense	40	-
Performers and speakers	3,640	-
Salaries and wages	20,254	18,463
Special events expense	1,255	679
Staff development	(89)	1,745
Staff travel	1,245	110
Supplies	25	43
	<u>37,001</u>	<u>24,491</u>
Rent expense - use of facilities	<u>1,800,000</u>	<u>1,800,000</u>
Total program expenses	<u>4,161,470</u>	<u>4,115,501</u>

SCARRITT-BENNETT CENTER
SCHEDULES OF EXPENSES - CONTINUED
YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
Supporting services:		
Management and general:		
Accrued vacation	5,424	(2,680)
Advertising/promotion	-	45
Auditing and accounting	40,613	27,800
Bad debt expense	150	1,321
Bankcard expense	24,820	41,538
Board travel and expense	19,631	18,413
Business meals	860	39
Consultants	6,841	7,892
Continuing education	26	-
Depreciation	113,851	53,480
Dues and subscriptions	1,487	2,104
Equipment/furniture purchases	1,562	1,862
Equipment repairs/maintenance	390	600
FICA expense	16,383	16,232
Flowers and courtesies	360	250
Honoraria	250	-
Human Resource expenses	1,648	1,539
In-House meals	20,414	18,969
Insurance	45,608	5,404
Insurance benefits	59,933	60,337
Interest expense	8,172	16,785
Legal	7,744	7,559
License fees and taxes	721	1,218
Loss on disposal of assets	-	5,190
Maintenance contracts	-	507
Miscellaneous	2,684	(16,980)
Music/piano	830	1,293
Office expense	1,224	3,611
Payroll processing fees	4,463	4,453
Pension	16,464	20,343
Postage and freight	2,717	3,198
President's office expense	1,951	-
Professional expenses	128	2,175
Program discounts	7,333	2,197
Salaries and wages	198,109	216,460
Special events expense	4,916	(2,311)
Staff development	3,979	1,301
Staff gathering	153	1,076
Staff travel	3,750	9,439
Supplies	104	1,281
Telephone	(7,875)	24,463
	<u>617,818</u>	<u>558,403</u>

SCARRITT-BENNETT CENTER
SCHEDULES OF EXPENSES - CONTINUED
YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Fundraising/Development:		
Alumni expenses	69	1,122
Consultants	-	503
Cultivation expense	2,368	721
Donations/alumnae	(3,922)	(7,268)
Equipment/furniture purchases	496	-
FICA expense	4,515	3,972
Insurance benefits	2,006	6,925
Miscellaneous	1,512	-
Pension	724	4,131
Postage and freight	1,564	1,656
Salaries and wages	60,842	52,337
Speakers and performers' fees	650	665
Special events expense	3,696	654
Staff travel	2,163	3,139
Supplies	3,282	-
	<u>79,965</u>	<u>68,557</u>
Sales:		
Catering amenities	373	-
Equipment rental	6,813	13,913
Equipment/furniture purchases	12	2,189
Equipment repairs/maintenance	-	525
FICA expense	9,006	8,692
Flowers and courtesies	9	68
Insurance benefits	14,542	16,688
Office expense	500	22
Miscellaneous	197	-
Pension	10,343	7,482
Piano/organ tuning	810	-
Professional development	-	298
Salaries and wages	123,093	118,885
Special events expense	1,500	3,350
Supplies	195	162
Trade shows	-	99
Travel	45	-
	<u>167,438</u>	<u>172,373</u>
Total supporting services	<u>865,221</u>	<u>799,333</u>
Total expenses	<u>\$ 5,026,691</u>	<u>\$ 4,914,834</u>

See independent auditor's report.

SCARRITT-BENNETT CENTER
SCHEDULE OF CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2015

	Balance Beginning of Year	Additions			Balance End of Year
		Gifts	Income Added to Principal	Net 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	186,496	-	-	1,430	187,926
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
	<u>3,060,769</u>	<u>-</u>	<u>-</u>	<u>1,430</u>	<u>3,062,199</u>

SCARRITT-BENNETT CENTER
SCHEDULE OF CHANGES IN NET ASSETS - CONTINUED
YEAR ENDED DECEMBER 31, 2015

	Balance Beginning of Year	Additions			Balance End of Year
		Gifts	Income Added to Principal	Net Gain/(Loss) on Investments	
Donor-Restricted Endowments -					
Income Restricted For General Scholarships:					
Barnes, Jane E.	5,000	-	-	-	5,000
Barnett, Ola Lee Perpetual Trust	194,475	-	-	(6,224)	188,251
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	18,198	-	-	-	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
	<u>1,319,646</u>	<u>-</u>	<u>-</u>	<u>(6,224)</u>	<u>1,313,422</u>
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
	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,000</u>
Total Permanently Restricted Net Assets - (Donor-Restricted Endowments)	<u>\$ 4,430,415</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,794)</u>	<u>\$ 4,425,621</u>

SCARRITT-BENNETT CENTER
SCHEDULE OF CHANGES IN NET ASSETS - CONTINUED
YEAR ENDED DECEMBER 31, 2015

	Balance Beginning of Year	Additions Income	Deductions		Balance End of Year
			Maturities and Expenditures	Other	
Investment Earnings From Donor-Restricted Endowments - Temporarily Restricted:					
Centennial Global Scholars Fund					
Earnings net of expenditures	\$ 28,805	\$ 292	\$ -	\$ -	\$ 29,097
Realized and unrealized gains and losses	27,204	(901)	-	-	26,303
	<u>56,009</u>	<u>(609)</u>	<u>-</u>	<u>-</u>	<u>55,400</u>
Miller, George A., Lectureship					
Earnings net of expenditures	41,669	422	-	-	42,091
Realized and unrealized gains and losses	39,478	(1,308)	-	-	38,170
	<u>81,147</u>	<u>(886)</u>	<u>-</u>	<u>-</u>	<u>80,261</u>
Library Endowment					
Earnings net of expenditures	689	7	-	-	696
Realized and unrealized gains and losses	449	(15)	-	-	434
	<u>1,138</u>	<u>(8)</u>	<u>-</u>	<u>-</u>	<u>1,130</u>
General Endowment - Scholarship					
Earnings net of expenditures	(1,075,775)	21,665	(100,804)	-	(1,154,914)
Realized and unrealized gains and losses	1,490,039	(27,580)	-	-	1,462,459
	<u>414,264</u>	<u>(5,915)</u>	<u>(100,804)</u>	<u>-</u>	<u>307,545</u>
General Endowment - Unrestricted					
Earnings net of expenditures	(3,316,557)	61,384	(93,514)	-	(3,348,687)
Realized and unrealized gains and losses	3,841,289	(63,340)	-	-	3,777,949
	<u>524,732</u>	<u>(1,956)</u>	<u>(93,514)</u>	<u>-</u>	<u>429,262</u>
Total Investment Earnings From Donor-Restricted Endowments - Temporarily Restricted	<u>1,077,290</u>	<u>(9,374)</u>	<u>(194,318)</u>	<u>-</u>	<u>873,598</u>
Other Temporarily Restricted Net Assets:					
Facilities usage - time restricted	1,800,000	1,800,000	(1,800,000)	-	1,800,000
Other	-	45,725	(8,284)	-	37,441
	<u>1,800,000</u>	<u>1,845,725</u>	<u>(1,808,284)</u>	<u>-</u>	<u>1,837,441</u>
Total Other Temporarily Restricted Net Assets	<u>1,800,000</u>	<u>1,845,725</u>	<u>(1,808,284)</u>	<u>-</u>	<u>1,837,441</u>
Total Temporarily Restricted Net Assets	<u>\$ 2,877,290</u>	<u>\$ 1,836,351</u>	<u>\$ (2,002,602)</u>	<u>\$ -</u>	<u>\$ 2,711,039</u>
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	2,333,646	(27,189)	-	-	2,306,457
Earnings net of expenditures	(1,929,013)	16,596	(281,266)	-	(2,193,683)
Total Unrestricted Net Assets - Board Designated Endowments	1,868,137	(10,593)	(281,266)	-	1,576,278
Total Unrestricted and Undesignated Net Assets	<u>566,847</u>	<u>-</u>	<u>-</u>	<u>285,099</u>	<u>851,946</u>
Total Unrestricted Net Assets	<u>\$ 2,434,984</u>	<u>\$ (10,593)</u>	<u>\$ (281,266)</u>	<u>\$ 285,099</u>	<u>\$ 2,428,224</u>

See independent auditor's report.