

SCARRITT-BENNETT CENTER

**FINANCIAL STATEMENTS
AND OTHER INFORMATION**

DECEMBER 31, 2016 AND 2015

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, 2016 and 2015, 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, 2016 and 2015, 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, PLLC

Nashville, Tennessee
August 23, 2017

SCARRITT-BENNETT CENTER
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

	2016			2015
	Current Operations	Endowment	Total	Total
ASSETS				
Cash	\$ 30,064	\$ -	\$ 30,064	\$ 127,104
Receivables	282,063	26,907	308,970	149,731
Prepaid expenses	6,013	-	6,013	4,036
Inventory	9,901	-	9,901	13,426
Property and equipment, net	1,328,360	-	1,328,360	1,292,830
Leasehold rights - facilities usage	1,800,000	-	1,800,000	1,800,000
Investment in joint venture	1,097,769	-	1,097,769	1,195,067
Investments	-	6,072,071	6,072,071	5,953,831
Perpetual trusts held by third parties	-	361,560	361,560	376,177
Total assets	<u>\$ 4,554,170</u>	<u>\$ 6,460,538</u>	<u>\$ 11,014,708</u>	<u>\$ 10,912,202</u>
LIABILITIES				
Accounts payable and accrued expenses	\$ 373,090	\$ -	\$ 373,090	\$ 340,653
Deposits	332,026	-	332,026	456,381
Capital lease obligation	46,076	-	46,076	73,534
Note payable - line of credit	396,750	-	396,750	476,750
Due to (from) other funds	518,582	(518,582)	-	-
Total liabilities	<u>1,666,524</u>	<u>(518,582)</u>	<u>1,147,942</u>	<u>1,347,318</u>
NET ASSETS				
Donor restricted:				
Permanently	-	4,465,954	4,465,954	4,425,621
Temporarily	1,897,130	930,012	2,827,142	2,711,039
Unrestricted:				
Board designated for long-term investment	-	1,583,154	1,583,154	1,576,278
Undesignated	990,516	-	990,516	851,946
Total net assets	<u>2,887,646</u>	<u>6,979,120</u>	<u>9,866,766</u>	<u>9,564,884</u>
Total liabilities and net assets	<u>\$ 4,554,170</u>	<u>\$ 6,460,538</u>	<u>\$ 11,014,708</u>	<u>\$ 10,912,202</u>

See accompanying notes to the financial statements.

SCARRITT-BENNETT CENTER
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Contributions	\$ 523,110	\$ 139,285	\$ -	\$ 662,395
Fees	1,523,805	-	-	1,523,805
Rent income and use of facilities	782,169	-	-	782,169
Other income	211,224	-	-	211,224
Contribution - facilities usage	-	1,800,000	-	1,800,000
Investment return designated for current operations	241,732	93,304	-	335,036
Net assets released from restrictions:				
Expiration of time restriction	1,800,000	(1,800,000)	-	-
Satisfaction of program restrictions	172,900	(172,900)	-	-
Total revenues, gains and other support	<u>5,254,940</u>	<u>59,689</u>	<u>-</u>	<u>5,314,629</u>
EXPENSES				
Program expenses:				
Food services	358,914	-	-	358,914
Library	14,048	-	-	14,048
Rooms and guest services	391,949	-	-	391,949
Facilities and maintenance	762,760	-	-	762,760
Technology	231,369	-	-	231,369
Marketing	125,439	-	-	125,439
Programming	241,464	-	-	241,464
Soul Work	20,400	-	-	20,400
Rent expense	1,800,000	-	-	1,800,000
Supporting services:				
Management and general	881,856	-	-	881,856
Fundraising	122,848	-	-	122,848
Sales	165,323	-	-	165,323
Total expenses	<u>5,116,370</u>	<u>-</u>	<u>-</u>	<u>5,116,370</u>
Changes in net assets from operations	<u>138,570</u>	<u>59,689</u>	<u>-</u>	<u>198,259</u>
OTHER CHANGES				
Endowment contributions	-	-	54,582	54,582
Investment return over (under) amount designated for current operations	<u>6,876</u>	<u>56,414</u>	<u>(14,249)</u>	<u>49,041</u>
Change in net assets	145,446	116,103	40,333	301,882
NET ASSETS AT BEGINNING OF YEAR	<u>2,428,224</u>	<u>2,711,039</u>	<u>4,425,621</u>	<u>9,564,884</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,573,670</u>	<u>\$ 2,827,142</u>	<u>\$ 4,465,954</u>	<u>\$ 9,866,766</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
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
Gift shop	3,457	-	-	3,457
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
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016			2015
	Current Operations	Endowment	Total	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in net assets	\$ 198,259	\$ 103,623	\$ 301,882	\$ (177,805)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Depreciation expense	163,975	-	163,975	128,251
Realized and unrealized (gains) losses on investments	-	(324,314)	(324,314)	120,332
Gain from joint venture	(101,842)	-	(101,842)	(123,689)
Contributions designated for endowment	-	(54,582)	(54,582)	-
(Increase) decrease in:				
Accounts receivable	(159,239)	-	(159,239)	(100,280)
Prepaid expenses	(1,977)	-	(1,977)	-
Inventory	3,525	-	3,525	(7,008)
Perpetual trusts held by third parties	-	14,617	14,617	4,794
Increase (decrease) in:				
Accounts payable and other liabilities	32,437	-	32,437	37,326
Deposits	(124,355)	-	(124,355)	158,158
Net cash provided by (used in) operating activities	10,783	(260,656)	(249,873)	40,079
CASH FLOWS FROM INVESTING ACTIVITIES				
Distributions received from joint venture	199,140	-	199,140	237,681
Purchases of investments	-	(429,365)	(429,365)	(795,409)
Proceeds from sale of investments	-	635,439	635,439	1,170,628
Endowment contributions	-	54,582	54,582	-
Purchases of property and equipment	(199,505)	-	(199,505)	(704,623)
Net cash (used in) provided by investing activities	(365)	260,656	260,291	(91,723)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments on capital lease obligation	(27,458)	-	(27,458)	(26,252)
Net (payments) borrowings under line of credit	(80,000)	-	(80,000)	205,000
Net cash (used in) provided by financing activities	(107,458)	-	(107,458)	178,748
NET CHANGE IN CASH	(97,040)	-	(97,040)	127,104
CASH AT BEGINNING OF YEAR	127,104	-	127,104	-
CASH AT END OF YEAR	<u>\$ 30,064</u>	<u>\$ -</u>	<u>\$ 30,064</u>	<u>\$ 127,104</u>
SUPPLEMENTAL CASH FLOW INFORMATION:				
Cash paid for interest	<u>\$ 32,682</u>	<u>\$ -</u>	<u>\$ 32,682</u>	<u>\$ 8,172</u>

See accompanying notes to the financial statements.

SCARRITT-BENNETT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

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 Housing, LLC, a Tennessee nonprofit limited liability company. SBC Educational Housing, 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, 2016 AND 2015

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, 2016 AND 2015

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, 2016 and 2015, 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, 2016 or 2015.

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, 2016 AND 2015

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 2013 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, 2016 and 2015, was \$50,846 and \$33,447, 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, 2016 AND 2015

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, 2016 and 2015, the fair value and cost of investments are as follows:

	<u>2016</u>		<u>2015</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Short-term investments	\$ 763,346	\$ 763,346	\$ 590,649	\$ 590,649
Equities	3,644,117	2,283,039	3,650,004	2,484,735
Fixed income	<u>1,664,608</u>	<u>1,629,844</u>	<u>1,713,178</u>	<u>1,661,113</u>
	<u>\$6,072,071</u>	<u>\$4,676,229</u>	<u>\$5,953,831</u>	<u>\$4,736,497</u>

The following schedule summarizes the investment return and its classification in the statements of activities for the years ended December 31, 2016 and 2015:

	<u>2016</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividend income, net of fees	\$ 14,780	\$ 59,232	\$ 368	\$ 74,380
Net realized and unrealized gains (losses) on long-term investments	56,115	268,199	(14,617)	309,697
Spending rule appropriation and reclassification	<u>177,713</u>	<u>(177,713)</u>	<u>-</u>	<u>-</u>
	<u>\$248,608</u>	<u>\$ 149,718</u>	<u>\$(14,249)</u>	<u>\$384,077</u>
Investment return designated for current operations	\$241,732	\$ 93,304	\$ -	\$335,036
Investment return over (under) amount designated for current operations	<u>6,876</u>	<u>56,414</u>	<u>(14,249)</u>	<u>49,041</u>
	<u>\$248,608</u>	<u>\$ 149,718</u>	<u>\$(14,249)</u>	<u>\$384,077</u>

SCARRITT-BENNETT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

B. INVESTMENTS - Continued

	2015			
	<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>

Investment expenses of approximately \$75,300 and \$78,200 in 2016 and 2015, 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, 2016 and 2015, the fair value of the assets held under the agreement was \$168,082 and \$187,926, 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, 2016 and 2015, the fair value of the assets held under the second agreement was \$193,478 and \$188,251, respectively.

SCARRITT-BENNETT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

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, 2016 AND 2015

D. ENDOWMENT - Continued

Endowment net assets are composed of the following at December 31, 2016:

	<u>2016</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 930,012	\$4,465,954	\$ 5,395,966
Board-designated endowment funds	<u>1,583,154</u>	<u>-</u>	<u>-</u>	<u>1,583,154</u>
	<u>\$ 1,583,154</u>	<u>\$ 930,012</u>	<u>\$4,465,954</u>	<u>\$ 6,979,120</u>

Changes in endowment net assets are as follows for the year ended December 31, 2016:

Endowment net assets, beginning of year	\$ 1,576,278	\$ 873,598	\$ 4,425,621	\$ 6,875,497
Investment return:				
Investment income	14,780	59,232	368	74,380
Net realized and unrealized gains (losses)	<u>56,115</u>	<u>268,199</u>	<u>(14,617)</u>	<u>309,697</u>
Total investment gain (loss)	70,895	327,431	(14,249)	384,077
Contributions	-	-	54,582	54,582
Appropriation of endowment gains for expenditure	<u>(64,019)</u>	<u>(271,017)</u>	<u>-</u>	<u>(335,036)</u>
Endowment net assets, end of year	<u>\$ 1,583,154</u>	<u>\$ 930,012</u>	<u>\$ 4,465,954</u>	<u>\$ 6,979,120</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, 2016 and 2015, 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.

In March 2017, the Board of Directors approved a resolution to liquidate the board-designated endowment funds. A portion of the funds was used to repay the outstanding balance of the Center's line-of-credit. See Note M. The remaining funds were placed in a money market account. Additionally, the resolution approves forgiveness of the \$518,582 loan from the operating fund to the board-designated endowment fund.

SCARRITT-BENNETT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

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>

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, 2016 or 2015.

SCARRITT-BENNETT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

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, 2016 AND 2015

D. ENDOWMENT - Continued

	<u>2016</u>	<u>2015</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>\$4,465,954</u>	<u>\$4,425,621</u>
	<u>2016</u>	<u>2015</u>
Temporarily Restricted Net Assets:		
The portion of perpetual endowment funds subject to time or other restrictions under TPMIFA:		
With purpose restrictions	\$468,266	\$ 444,336
Without purpose restrictions	<u>461,746</u>	<u>429,262</u>
	<u>\$930,012</u>	<u>\$ 873,598</u>

E. PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2016 and 2015, is as follows:

	<u>2016</u>	<u>2015</u>
Improvements	\$ 1,561,836	\$ 1,412,363
Furniture	105,432	92,805
Equipment	<u>838,236</u>	<u>803,151</u>
	2,505,504	2,308,319
Less accumulated depreciation	<u>(1,177,144)</u>	<u>(1,015,489)</u>
	<u>\$ 1,328,360</u>	<u>\$ 1,292,830</u>

Included in equipment at December 31, 2016 and 2015 is certain equipment under a capital lease obligation (See Note N).

SCARRITT-BENNETT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

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 Housing, LLC, ("Educational Housing"). The Center is the sole member of Educational Housing. In connection with the formation, the Center transferred its interest in Midtown Place, LLC to Educational Housing.

In conjunction with the construction of the new apartment complex, Midtown Place entered into a construction promissory note, the balance of which was \$5,454,707 and \$5,554,027 at December 31, 2016 and 2015, 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, 2016 and 2015, is as follows:

	<u>2016</u>	<u>2015</u>
Total assets	\$6,618,852	\$6,930,450
Total liabilities	<u>5,648,427</u>	<u>5,734,690</u>
Equity	<u>\$ 970,425</u>	<u>\$1,195,760</u>

Net revenues of Midtown Place totaled \$1,042,653 and \$964,160 for 2016 and 2015, respectively. The Center's share of Midtown Place's net income for 2016 and 2015 was \$101,842 and \$123,689, respectively. The Center received distributions from Midtown Place totaling \$199,140 and \$237,681 in 2016 and 2015, 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, 2016 or 2015.

SCARRITT-BENNETT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

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, 2016 and 2015, was \$86,807 and \$76,409, 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 \$91,000,000 and \$94,000,000 and the Plan’s unfunded expected postretirement benefit obligation (“EPBO”) was approximately \$127,000,000 and \$134,000,000 as of December 31, 2016 and 2015, 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 \$192,702 and \$198,892 in 2016 and 2015, respectively.

SCARRITT-BENNETT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

I. RELATED PARTY TRANSACTIONS

The United Methodist Women (“UMW”) appoints 8 of the 24 voting directors of Scarritt-Bennett Center. In 2016 and 2015, the UMW provided the Center with financial support of \$100,000 in each year and grants in the amount of \$264,309 and \$572,004, 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, 2016 and 2015, which represents the right to use the facilities for 2016 and 2015, respectively. The related rent expense was \$1,800,000 for 2016 and 2015. The leasehold rights - facilities usage as of December 31, 2016 and 2015, is a temporarily restricted net asset.

SCARRITT-BENNETT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

K. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Time restrictions:		
Facilities usage	\$1,800,000	\$1,800,000
General endowment - net accumulated gains	461,746	429,262
Amounts designated for specific programs:		
Miller lectureship	86,941	80,261
Centennial Global Scholars Fund	60,004	55,400
General unrestricted scholarships	320,112	307,545
Library	1,209	1,130
Other	<u>97,130</u>	<u>37,441</u>
	<u>\$2,827,142</u>	<u>\$2,711,039</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>2016</u>	<u>2015</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>172,900</u>	<u>109,088</u>
	<u>\$1,972,900</u>	<u>\$1,909,088</u>

Permanently restricted net assets consist of the following:

	<u>2016</u>	<u>2015</u>
General endowment	\$3,096,937	\$3,062,199
Scholarships	1,319,017	1,313,422
Other	<u>50,000</u>	<u>50,000</u>
	<u>\$4,465,954</u>	<u>\$4,425,621</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, 2016 AND 2015

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 had a line-of-credit facility with a financial institution, the balance of which was \$396,750 and \$476,750 at December 31, 2016 and 2015, respectively. The line-of-credit limit was \$563,000. Interest on the line-of-credit was due monthly at the financial institution's prime rate, with a minimum rate of 4.25%. Interest expense related to the line-of-credit for the years ended December 31, 2016 and 2015, was \$11,269 and \$8,172, respectively. The line-of-credit was secured by certain unrestricted investments. In March 2017, consistent with the action of the Board of Directors described in Note D, the line-of-credit was paid in full and closed with the financial institution.

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 \$46,076 and \$73,534, net of accumulated depreciation of \$88,937 and \$61,480 at December 31, 2016 and 2015, respectively.

Minimum future lease payments under the capital lease as of December 31, 2016 are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2017	\$28,719
2018	<u>17,357</u>
	<u>\$46,076</u>

SCARRITT-BENNETT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

N. LEASES AND COMMITMENTS - 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, 2016 and 2015 amounted to approximately \$191,000 and \$61,000, respectively. Expected future minimum lease payments required under the non-cancelable agreements are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2017	\$188,279
2018	155,601
2019	43,075
2020	<u>2,915</u>
	<u>\$389,870</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.

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, 2016 and 2015, for assets measured at fair value on a recurring basis under ASC 820, *Fair Value Measurements and Disclosures*:

SCARRITT-BENNETT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

P. FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

		<u>Fair Value Measurements at Reporting Date Using</u>		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Assets Measured at Fair Value</u>				
<u>December 31, 2016:</u>				
Investments:				
Short-term				
investments	\$ 763,346	\$ 763,346	\$ -	\$ -
Equities	3,644,117	3,644,117	-	-
Fixed income	<u>1,664,608</u>	<u>-</u>	<u>1,664,608</u>	<u>-</u>
Total investments	<u>\$6,072,071</u>	<u>\$4,407,463</u>	<u>\$1,664,608</u>	<u>\$ -</u>
Perpetual trusts held by third parties	<u>\$ 361,560</u>	<u>\$ 361,560</u>	<u>\$ -</u>	<u>\$ -</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>

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.

SCARRITT-BENNETT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

P. FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

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. CONTINUING OPERATIONS

The Center's capacity to meet its financial commitments and operational needs are dependent on the Center's ability to secure ongoing revenues and funding for its activities, including regular contributions and donations, increased fee revenues from campus improvement plans, market performance of the endowment funds, and the continued support and grants from UMW. Significant changes in these sources or levels of funding, or inability to carry-out certain campus improvement and other revenue generation plans, would materially affect the Center's program activities and ability to operate.

S. SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 23, 2017, the date the financial statements were available for issuance. See Notes D and M.

OTHER INFORMATION

SCARRITT-BENNETT CENTER
SCHEDULE OF REVENUES, GAINS AND OTHER SUPPORT
YEAR ENDED DECEMBER 31, 2016

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Contributions:				
UMW support and grants	\$ 364,309	\$ -	\$ -	\$ 364,309
Perpetual trust distributions	5,111	-	-	5,111
Other gifts	153,690	139,285	-	292,975
	<u>523,110</u>	<u>139,285</u>	<u>-</u>	<u>662,395</u>
Fees:				
Audio/visual equipment fees	34,636	-	-	34,636
Catering	275,738	-	-	275,738
Dining hall use	32,255	-	-	32,255
Food service	280,624	-	-	280,624
Housing and meeting space	839,847	-	-	839,847
Program fees	55,876	-	-	55,876
Special lunches	-	-	-	-
Other fees	4,829	-	-	4,829
	<u>1,523,805</u>	<u>-</u>	<u>-</u>	<u>1,523,805</u>
Rent income and use of facilities:				
Bennett Hall	69,459	-	-	69,459
Chapel and forfeited deposits	315,984	-	-	315,984
Fondren Hall	96,188	-	-	96,188
International Room	58,111	-	-	58,111
Laskey Library	223,227	-	-	223,227
Ogburn House	19,200	-	-	19,200
	<u>782,169</u>	<u>-</u>	<u>-</u>	<u>782,169</u>
Other income:				
Gain on joint venture	101,842	-	-	101,842
Miscellaneous	161,466	-	-	161,466
	<u>263,308</u>	<u>-</u>	<u>-</u>	<u>263,308</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>241,732</u>	<u>93,304</u>	<u>-</u>	<u>335,036</u>
Net assets released from restrictions:				
Expiration of time restriction	1,800,000	(1,800,000)	-	-
Satisfaction of program restrictions	<u>172,900</u>	<u>(172,900)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>\$ 5,307,024</u>	<u>\$ 59,689</u>	<u>\$ -</u>	<u>\$ 5,366,713</u>

See independent auditor's report.

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
SCHEDULES OF EXPENSES
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Program expenses:		
Food services:		
Catering food expense	\$ 9,246	\$ 9,214
Equipment repairs/maintenance	2,013	2,292
Equipment purchases	1,292	133
FICA expense	13,135	13,750
Flowers and courtesies	681	242
Food purchases	96,584	131,967
Insurance benefits	13,111	14,117
License fees and taxes	360	543
Linens	17,532	24,835
Maintenance contracts	92	885
Maintenance supplies	12,727	15,768
Miscellaneous	-	115
Pension	7,002	7,282
Salaries and wages	181,476	186,793
Donations	-	1,789
Special events expense	206	-
Uniforms	3,457	-
	<u>358,914</u>	<u>409,725</u>
Gift shop:		
Merchandise	-	(448)
Printing and duplication	-	3,905
	<u>-</u>	<u>3,457</u>
Library:		
FICA expense	389	688
Office expense	748	-
Professional services/consultants	5,102	-
Salaries and wages	4,990	9,152
Supplies	2,819	-
	<u>14,048</u>	<u>9,840</u>

SCARRITT-BENNETT CENTER
SCHEDULES OF EXPENSES- CONTINUED
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Rooms and guest services:		
Advertising/promotion	325	-
Computer lease	14,414	-
Depreciation	-	14,400
Dues and subscriptions	35,162	630
Equipment/furniture purchases	10,343	3,778
FICA expense	14,013	14,266
Insurance benefits	46,638	46,111
Janitorial supplies	8,998	3,398
Linens	45,560	43,832
Miscellaneous	961	1,386
Office expense	4,782	4,925
Pension	14,839	12,815
Postage and freight	382	(109)
Restoration expense	-	105
Salaries and wages	190,548	201,954
Sales and use tax	642	5,486
Supplies	1,324	534
Uniforms	3,018	477
	<u>391,949</u>	<u>353,988</u>
Facilities and maintenance:		
Apartment cleaning and maintenance	-	925
Building work	26,289	48,178
Cable TV	-	3,807
Consultants	21,360	59,335
Contract cleaning	-	10,963
Dues and subscriptions	213	110
Electrical supplies	-	4,483
Electricity	174,720	160,934
Equipment repairs/maintenance	417	3,967
FICA expense	9,682	8,757
Fuel	47,295	88,470
Heat/air conditioning repair	82,646	114,398
Insurance benefits	20,765	15,705
Janitorial supplies - maintenance	375	-

SCARRITT-BENNETT CENTER
SCHEDULES OF EXPENSES - CONTINUED
YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Lawn and garden	2,745	3,993
Linens	234	-
Maintenance contracts	16,652	(15,948)
Mechanical repairs	7,258	609
Miscellaneous	439	3,128
Office expense	113	149
Pension	11,339	8,613
Plumbing supplies	-	632
Rubbish removal	11,657	4,566
Salaries and wages	128,162	121,837
Satellite service	603	1,207
Security	138,876	148,495
Supplies	20,143	20
Telephone	1,164	-
Tools	2,863	846
Tree service	-	3,925
Uniform service	-	610
Water	36,750	35,931
	<u>762,760</u>	<u>838,645</u>
Technology:		
Computer hardware	48,251	54,444
Computer perishables	-	270
Computer software	32,936	5,505
Consultants	71,747	80,239
Copier lease	28,116	31,108
Copy expense	117	(2,680)
Internet charges	-	20,855
Maintenance contracts	4,590	27,112
Special projects expense	-	1,756
Telephone expense	45,147	17,932
Web hosting	465	599
	<u>231,369</u>	<u>237,140</u>

SCARRITT-BENNETT CENTER
SCHEDULES OF EXPENSES - CONTINUED
YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Marketing:		
Advertising/promotion	47,984	33,447
Continuing education	1,348	180
Consultants	680	-
Design expenses	-	164
Dues and subscriptions	1,845	4,223
Equipment/furniture purchases and rentals	2,233	1,587
FICA expense	3,061	6,627
Insurance benefits	10,081	14,020
Internet/web	-	3,589
Miscellaneous	647	1,349
Office expense	1,186	141
Pension	3,216	6,274
Postage and freight	-	136
Printing and duplicating	8,006	227
Salaries and wages	39,908	91,052
Signage expense	-	5,667
Special events expense	3,521	4,914
Supplies	628	336
Trade shows and travel	1,095	465
	<u>125,439</u>	<u>174,398</u>
Programming:		
Business meals	667	157
Consultants	20,270	-
Dues and subscriptions	245	54
Educational supplies	-	186
Equipment/furniture purchases	-	364
FICA expense	8,036	12,237
Flowers and courtesies	-	34
Honoraria	48,627	20,438
In-House meals	-	94
Insurance benefits	16,347	32,458
Miscellaneous	20,716	8,284
Office expense	261	952
Pension	6,082	13,894
Performers and speakers	-	445
Salaries and wages	108,061	172,918
Staff travel and transportation	11,154	2,237
Supplies	998	45
	<u>241,464</u>	<u>264,797</u>

SCARRITT-BENNETT CENTER
SCHEDULES OF EXPENSES - CONTINUED
YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Soul Work:		
Consultants	-	10,400
Honoraria	-	2,400
License fees and taxes	-	124
Music	360	-
Performers and speakers	18,990	18,724
Supplies	371	45
Travel	679	786
	<u>20,400</u>	<u>32,479</u>
Women's Table:		
Books and magazines	-	200
Consultants	-	1,516
Dues and subscriptions	-	780
Equipment rental	-	1,611
Honoraria	-	1,125
In-house meals	-	801
Internal meeting room and food discounts	-	2,828
Intern expense	-	1,453
Miscellaneous	-	317
Office expense	-	40
Performers and speakers	-	3,640
Salaries and wages	-	20,254
Special events expense	-	1,255
Staff development	-	(89)
Staff travel	-	1,245
Supplies	-	25
	<u>-</u>	<u>37,001</u>
Rent expense - use of facilities	<u>1,800,000</u>	<u>1,800,000</u>
Total program expenses	<u>3,946,343</u>	<u>4,161,470</u>

SCARRITT-BENNETT CENTER
SCHEDULES OF EXPENSES - CONTINUED
YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Supporting services:		
Management and general:		
Accrued vacation	-	5,424
Advertising/promotion	2,537	-
Auditing and accounting	34,881	40,613
Bad debt expense	2	150
Bankcard expense	31,002	24,820
Board travel and expense	27,304	19,631
Business meals	17,966	860
Consultants	33,788	6,841
Continuing education	-	26
Depreciation	163,975	113,851
Dues and subscriptions	1,123	1,487
Equipment/furniture purchases	74	1,562
Equipment repairs/maintenance	(8,431)	390
FICA expense	17,167	16,383
Flowers and courtesies	491	360
Honoraria	-	250
Human Resource expenses	-	1,648
In-House meals	-	20,414
Insurance	39,589	45,608
Insurance benefits	69,727	59,933
Interest expense	32,682	8,172
Legal	47,409	7,744
License fees and taxes	1,065	721
Maintenance contracts	201	-
Miscellaneous	9,482	2,684
Music/piano	-	830
Office expense	1,612	1,224
Payroll processing fees	6,238	4,463
Pension	28,885	16,464
Postage and freight	3,019	2,717
President's office expense	-	1,951
Professional expenses	-	128
Program discounts	-	7,333
Salaries and wages	332,285	198,109
Special events expense	-	4,916
Staff development	-	3,979
Staff gathering	1,267	153
Staff travel	(7,832)	3,750
Supplies	-	104
Telephone	(5,652)	(7,875)
	<u>881,856</u>	<u>617,818</u>

SCARRITT-BENNETT CENTER
SCHEDULES OF EXPENSES - CONTINUED
YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Fundraising/Development:		
Alumni expenses	2,507	69
Consultants	1,000	-
Cultivation expense	2,182	2,368
Donations/alumnae	(2,092)	(3,922)
Dues and subscriptions	875	-
Equipment/furniture purchases	39	496
FICA expense	6,249	4,515
Insurance benefits	3,007	2,006
Intern expense	4,665	-
Maintenance contracts	128	-
Miscellaneous	2,578	1,512
Pension	4,859	724
Postage and freight	358	1,564
Salaries and wages	77,457	60,842
Speakers and performers' fees	-	650
Special events expense	13,980	3,696
Staff travel	2,275	2,163
Supplies	2,781	3,282
	<u>122,848</u>	<u>79,965</u>
Sales:		
Catering amenities	-	373
Consultants	3,610	-
Dues and subscriptions	1,184	-
Equipment rental	4,530	6,813
Equipment/furniture purchases	1,205	12
FICA expense	8,826	9,006
Flowers and courtesies	-	9
Insurance benefits	13,026	14,542
Office expense	336	500
Miscellaneous	163	197
Pension	10,585	10,343
Piano/organ tuning	3,160	810
Postage and freight	42	-
Salaries and wages	118,067	123,093
Special events expense	-	1,500
Supplies	191	195
Travel	398	45
	<u>165,323</u>	<u>167,438</u>
Total supporting services	<u>1,170,027</u>	<u>865,221</u>
Total expenses	<u>\$ 5,116,370</u>	<u>\$ 5,026,691</u>

See independent auditor's report.

SCARRITT-BENNETT CENTER
SCHEDULE OF CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2016

	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
Campbell, Estate of Maggie	-	10,000	-	-	10,000
Carey, Phyllis Ordwein	20,000	-	-	-	20,000
Chappell, Clovis G.	10,000	-	-	-	10,000
Craig, Susie C. Estate	5,000	-	-	-	5,000
Davis 1996 Family Trust	-	36,394	-	-	36,394
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
Mathews, Charitable Annuity of Eunice J.	-	1,782	-	-	1,782
McWhirter, Susie	5,017	-	-	-	5,017
Morgan, Elma	5,190	-	-	-	5,190
Orgain, Jessamine Perpetual Trust	187,926	-	-	(19,844)	168,082
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
Vest Financial Services	-	6,406	-	-	6,406
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>3,062,199</u>	<u>54,582</u>	<u>-</u>	<u>(19,844)</u>	<u>3,096,937</u>

SCARRITT-BENNETT CENTER
SCHEDULE OF CHANGES IN NET ASSETS - CONTINUED
YEAR ENDED DECEMBER 31, 2016

	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	188,251	-	-	5,227	193,478
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	-	368	-	18,566
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>1,313,422</u>	<u>-</u>	<u>368</u>	<u>5,227</u>	<u>1,319,017</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>\$ 4,425,621</u>	<u>\$ 54,582</u>	<u>\$ 368</u>	<u>\$ (14,617)</u>	<u>\$ 4,465,954</u>

SCARRITT-BENNETT CENTER
SCHEDULE OF CHANGES IN NET ASSETS - CONTINUED
YEAR ENDED DECEMBER 31, 2016

	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	\$ 29,097	\$ 374	\$ -	\$ -	\$ 29,471
Realized and unrealized gains and losses	26,303	4,230	-	-	30,533
	<u>55,400</u>	<u>4,604</u>	<u>-</u>	<u>-</u>	<u>60,004</u>
Miller, George A., Lectureship					
Earnings net of expenditures	42,091	542	-	-	42,633
Realized and unrealized gains and losses	38,170	6,138	-	-	44,308
	<u>80,261</u>	<u>6,680</u>	<u>-</u>	<u>-</u>	<u>86,941</u>
Library Endowment					
Earnings net of expenditures	696	9	-	-	705
Realized and unrealized gains and losses	434	70	-	-	504
	<u>1,130</u>	<u>79</u>	<u>-</u>	<u>-</u>	<u>1,209</u>
General Endowment - Scholarship					
Earnings net of expenditures	(1,154,914)	19,396	(93,304)	-	(1,228,822)
Realized and unrealized gains and losses	1,462,459	86,475	-	-	1,548,934
	<u>307,545</u>	<u>105,871</u>	<u>(93,304)</u>	<u>-</u>	<u>320,112</u>
General Endowment - Unrestricted					
Earnings net of expenditures	(3,348,687)	38,911	(177,713)	-	(3,487,489)
Realized and unrealized gains and losses	3,777,949	171,286	-	-	3,949,235
	<u>429,262</u>	<u>210,197</u>	<u>(177,713)</u>	<u>-</u>	<u>461,746</u>
Total Investment Earnings From Donor-Restricted Endowments - Temporarily Restricted	<u>873,598</u>	<u>327,431</u>	<u>(271,017)</u>	<u>-</u>	<u>930,012</u>
Other Temporarily Restricted Net Assets:					
Facilities usage - time restricted	1,800,000	1,800,000	(1,800,000)	-	1,800,000
Other	37,441	139,285	(79,596)	-	97,130
	<u>1,837,441</u>	<u>1,939,285</u>	<u>(1,879,596)</u>	<u>-</u>	<u>1,897,130</u>
Total Other Temporarily Restricted Net Assets	<u>1,837,441</u>	<u>1,939,285</u>	<u>(1,879,596)</u>	<u>-</u>	<u>1,897,130</u>
Total Temporarily Restricted Net Assets	<u>\$ 2,711,039</u>	<u>\$ 2,266,716</u>	<u>\$ (2,150,613)</u>	<u>\$ -</u>	<u>\$ 2,827,142</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	2,306,457	56,115	-	-	2,362,572
Earnings net of expenditures	(2,193,683)	14,780	(64,019)	-	(2,242,922)
Total Unrestricted Net Assets - Board Designated Endowments	<u>1,576,278</u>	<u>70,895</u>	<u>(64,019)</u>	<u>-</u>	<u>1,583,154</u>
Total Unrestricted and Undesignated Net Assets	<u>851,946</u>	<u>-</u>	<u>-</u>	<u>138,570</u>	<u>990,516</u>
Total Unrestricted Net Assets	<u>\$ 2,428,224</u>	<u>\$ 70,895</u>	<u>\$ (64,019)</u>	<u>\$ 138,570</u>	<u>\$ 2,573,670</u>

See independent auditor's report.