

SCARRITT-BENNETT CENTER

**FINANCIAL STATEMENTS
AND OTHER INFORMATION**

DECEMBER 31, 2018 AND 2017

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, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 the Center as of December 31, 2018 and 2017, 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.

Changes in Financial Statement Presentation

As discussed in Note A, the Center adopted Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. The ASU has been applied retrospectively to all periods presented with the exception of the disclosure of liquidity and availability of resources, which has been implemented prospectively as allowed under the provisions of ASU 2016-14. Our opinion is not modified with respect to this matter.

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 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
June 4, 2019

SCARRITT-BENNETT CENTER
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

	2018			2017
	Current Operations	Endowment	Total	Total (as restated)
ASSETS				
Cash and cash equivalents	\$ 889,098	\$ -	\$ 889,098	\$ 589,729
Receivables	256,760	-	256,760	433,191
Prepaid expenses	23,438	-	23,438	30,907
Inventory	30,178	-	30,178	66,749
Property and equipment, net	2,699,680	-	2,699,680	1,940,901
Leasehold rights - facilities usage	1,800,000	-	1,800,000	1,800,000
Investment in joint venture	829,561	-	829,561	890,937
Investments	-	4,912,616	4,912,616	5,381,640
Perpetual trusts held by third parties	-	361,923	361,923	392,847
Total assets	<u>\$ 6,528,715</u>	<u>\$ 5,274,539</u>	<u>\$ 11,803,254</u>	<u>\$ 11,526,901</u>
LIABILITIES				
Accounts payable and accrued expenses	\$ 156,689	\$ -	\$ 156,689	\$ 232,461
Deposits	328,261	-	328,261	360,969
Capital lease obligation	-	-	-	17,357
Total liabilities	<u>484,950</u>	<u>-</u>	<u>484,950</u>	<u>610,787</u>
NET ASSETS				
Net assets with donor restrictions:				
Permanent endowments	-	4,467,019	4,467,019	4,497,943
Subject to time or purpose restrictions	1,851,271	807,520	2,658,791	3,143,368
Net assets without donor restrictions:				
Undesignated, as restated	<u>4,192,494</u>	<u>-</u>	<u>4,192,494</u>	<u>3,274,803</u>
Total net assets	<u>6,043,765</u>	<u>5,274,539</u>	<u>11,318,304</u>	<u>10,916,114</u>
Total liabilities and net assets	<u>\$ 6,528,715</u>	<u>\$ 5,274,539</u>	<u>\$ 11,803,254</u>	<u>\$ 11,526,901</u>

See accompanying notes to the financial statements.

SCARRITT-BENNETT CENTER
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Contributions	\$ 1,207,808	\$ -	\$ 1,207,808
Fees	1,495,768	-	1,495,768
Rent income and use of facilities	737,207	-	737,207
Other income	68,183	-	68,183
Contribution - facilities usage	-	1,800,000	1,800,000
Investment return designated for current operations	-	194,797	194,797
Net assets released from restrictions:			
Expiration of time restriction	1,800,000	(1,800,000)	-
Satisfaction of purpose restrictions	210,350	(210,350)	-
Total revenues, gains and other support	<u>5,519,316</u>	<u>(15,553)</u>	<u>5,503,763</u>
EXPENSES			
Program expenses:			
Food services	476,667	-	476,667
Rooms and guest services	472,221	-	472,221
Facilities and maintenance	893,457	-	893,457
Programming	65,004	-	65,004
Rent expense - use of facilities	1,800,000	-	1,800,000
Supporting services:			
Management and general	567,825	-	567,825
Fundraising/development	492	-	492
Marketing and sales	325,959	-	325,959
Total expenses	<u>4,601,625</u>	<u>-</u>	<u>4,601,625</u>
Changes in net assets from operations	<u>917,691</u>	<u>(15,553)</u>	<u>902,138</u>
OTHER CHANGES			
Investment return under amount designated for current operations	<u>-</u>	<u>(499,948)</u>	<u>(499,948)</u>
Change in net assets	917,691	(515,501)	402,190
NET ASSETS AT BEGINNING OF YEAR	<u>3,274,803</u>	<u>7,641,311</u>	<u>10,916,114</u>
NET ASSETS AT END OF YEAR	<u>\$ 4,192,494</u>	<u>\$ 7,125,810</u>	<u>\$ 11,318,304</u>

See accompanying notes to the financial statements.

SCARRITT-BENNETT CENTER
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Contributions	\$ 1,205,489	\$ 5,000	\$ 1,210,489
Fees	1,445,754	-	1,445,754
Rent income and use of facilities	772,906	-	772,906
Other income	142,813	-	142,813
Contribution - facilities usage	-	1,800,000	1,800,000
Investment return designated for current operations	170,039	87,638	257,677
Net assets released from restrictions:			
Expiration of time restriction	1,800,000	(1,800,000)	-
Satisfaction of purpose restrictions	122,944	(122,944)	-
Total revenues, gains and other support	<u>5,659,945</u>	<u>(30,306)</u>	<u>5,629,639</u>
EXPENSES			
Program expenses:			
Food services	359,543	-	359,543
Rooms and guest services	386,476	-	386,476
Facilities and maintenance	718,971	-	718,971
Programming	118,549	-	118,549
Rent expense - use of facilities	1,800,000	-	1,800,000
Supporting services:			
Management and general	754,157	-	754,157
Fundraising/development	76,363	-	76,363
Marketing and sales	261,856	-	261,856
Total expenses	<u>4,475,915</u>	<u>-</u>	<u>4,475,915</u>
Changes in net assets from operations	<u>1,184,030</u>	<u>(30,306)</u>	<u>1,153,724</u>
OTHER CHANGES			
Investment return (under) over amount designated for current operations	<u>(257,684)</u>	<u>378,521</u>	<u>120,837</u>
Change in net assets	926,346	348,215	1,274,561
NET ASSETS AT BEGINNING OF YEAR, as restated	<u>2,348,457</u>	<u>7,293,096</u>	<u>9,641,553</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,274,803</u>	<u>\$ 7,641,311</u>	<u>\$ 10,916,114</u>

See accompanying notes to the financial statements.

SCARRITT-BENNETT CENTER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Program Expenses				Supporting Services				
	Food Services	Rooms and Guest Services	Facilities and Maintenance	Programming	Rent Expense - Use of Facilities	Management and General	Fundraising/ Development	Marketing and Sales	Total
Alumni expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 350	\$ 3,935	\$ 4,285
Audio visual equipment	-	1,395	-	-	-	-	-	295	1,690
Auditing and accounting	-	-	-	-	-	33,063	-	-	33,063
Bankcard expense	-	46,554	-	-	-	295	-	-	46,849
Board travel and expense	-	50	-	-	-	6,067	-	-	6,117
Depreciation	-	-	231,311	-	-	16,702	-	-	248,013
Food purchases	195,033	62	-	-	-	-	-	-	195,095
Interest expense	-	-	-	-	-	281	-	-	281
Janitorial supplies	7,477	8,309	-	-	-	-	-	-	15,786
Linens	18,837	37,883	-	-	-	-	-	-	56,720
Marketing	-	-	332	1,122	-	745	-	58,708	60,907
Office expense	1,023	10,595	1,903	286	-	147,867	-	2,258	163,932
Piano/organ tuning	-	1,810	-	-	-	-	-	-	1,810
Professional/consultant expenses	-	3,324	-	40,496	-	51,239	-	1,625	96,684
Program fees	-	-	400	21,473	-	150	-	-	22,023
Property maintenance	5,665	45,095	122,990	1,627	-	221	-	563	176,161
Rent expense - use of facilities	-	-	-	-	1,800,000	-	-	-	1,800,000
Salaries and wages	247,492	304,499	96,250	-	-	289,341	142	258,575	1,196,299
Security	-	-	107,573	-	-	-	-	-	107,573
Travel	-	-	-	-	-	398	-	-	398
Uniform service	1,140	2,062	471	-	-	-	-	-	3,673
Utilities	-	10,583	332,227	-	-	21,456	-	-	364,266
	<u>\$ 476,667</u>	<u>\$ 472,221</u>	<u>\$ 893,457</u>	<u>\$ 65,004</u>	<u>\$ 1,800,000</u>	<u>\$ 567,825</u>	<u>\$ 492</u>	<u>\$ 325,959</u>	<u>\$ 4,601,625</u>

See accompanying notes to the financial statements.

SCARRITT-BENNETT CENTER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	Program Expenses					Supporting Services			
	Food Services	Rooms and Guest Services	Facilities and Maintenance	Programming	Rent Expense - Use of Facilities	Management and General	Fundraising/ Development	Marketing and Sales	Total
Alumni expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,699	\$ -	\$ 5,699
Audio visual equipment	-	3,030	-	-	-	-	-	940	3,970
Auditing and accounting	-	-	-	-	-	42,725	-	-	42,725
Bankcard expense	-	37,255	-	-	-	778	-	10	38,043
Board travel and expense	-	-	-	-	-	6,394	-	-	6,394
Depreciation	-	-	54,514	-	-	147,883	-	-	202,397
Food purchases	91,316	-	68	-	-	-	-	-	91,384
Interest expense	-	-	-	-	-	7,221	-	-	7,221
Janitorial supplies	7,973	9,670	1,087	-	-	24	-	-	18,754
Linens	19,429	38,899	-	-	-	-	-	-	58,328
Marketing	-	-	-	190	-	-	-	28,714	28,904
Office expense	1,015	32,748	3,576	256	-	143,288	450	5,014	186,347
Piano/organ tuning	-	740	1,190	-	-	250	-	363	2,543
Professional/consultant expenses	284	2,982	35,700	11,849	-	78,130	-	-	128,945
Program fees	-	-	-	56,621	-	-	-	-	56,621
Property maintenance	9,788	5,198	112,963	-	-	1,337	-	296	129,582
Rent expense - use of facilities	-	-	-	-	1,800,000	-	-	-	1,800,000
Salaries and wages	226,189	253,020	80,219	49,213	-	324,255	70,214	226,393	1,229,503
Security	1,770	-	133,464	-	-	-	-	-	135,234
Travel	-	4	-	420	-	518	-	126	1,068
Uniform service	1,779	2,930	411	-	-	161	-	-	5,281
Utilities	-	-	295,779	-	-	1,193	-	-	296,972
	<u>\$ 359,543</u>	<u>\$ 386,476</u>	<u>\$ 718,971</u>	<u>\$ 118,549</u>	<u>\$ 1,800,000</u>	<u>\$ 754,157</u>	<u>\$ 76,363</u>	<u>\$ 261,856</u>	<u>\$ 4,475,915</u>

See accompanying notes to the financial statements.

SCARRITT-BENNETT CENTER
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018			2017
	Current Operations	Endowment	Total	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in net assets	\$ 902,138	\$ (499,948)	\$ 402,190	\$ 1,274,561
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Depreciation expense	248,013	-	248,013	202,397
Realized and unrealized losses (gains) on investments	-	378,210	378,210	(286,558)
Gain from joint venture	(60,000)	-	(60,000)	(142,813)
(Increase) decrease in:				
Receivables	176,431	-	176,431	(124,221)
Prepaid expenses	7,469	-	7,469	(24,894)
Inventory	36,571	-	36,571	(56,848)
Perpetual trusts held by third parties	-	30,924	30,924	(31,287)
Increase (decrease) in:				
Accounts payable and accrued liabilities	(75,772)	-	(75,772)	(140,629)
Deposits	(32,708)	-	(32,708)	28,943
Net cash provided by (used in) operating activities	1,202,142	(90,814)	1,111,328	698,651
CASH FLOWS FROM INVESTING ACTIVITIES				
Distributions received from joint venture	121,376	-	121,376	124,432
Sales of investments, net	-	90,814	90,814	976,989
Purchases of property and equipment	(1,006,792)	-	(1,006,792)	(814,938)
Net cash (used in) provided by investing activities	(885,416)	90,814	(794,602)	286,483
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments on capital lease obligation	(17,357)	-	(17,357)	(28,719)
Net payments under line of credit	-	-	-	(396,750)
Net cash used in financing activities	(17,357)	-	(17,357)	(425,469)
NET CHANGE IN CASH	299,369	-	299,369	559,665
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	589,729	-	589,729	30,064
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 889,098</u>	<u>\$ -</u>	<u>\$ 889,098</u>	<u>\$ 589,729</u>
SUPPLEMENTAL CASH FLOW INFORMATION:				
Cash paid for interest	<u>\$ 281</u>	<u>\$ -</u>	<u>\$ 281</u>	<u>\$ 5,449</u>

See accompanying notes to the financial statements.

SCARRITT-BENNETT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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 (“UMW”). 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 G.

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

Net Assets

For reporting purposes, the Center’s financial statements have been prepared to focus on the Center as a whole. Resources are classified into two net asset categories based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Center and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Center. These net assets may be used at the discretion of the Center’s management and the board of directors.

Net Assets With Donor Restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Center or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity, but may permit the Center to use or expend part or all of the income derived from the donated assets.

SCARRITT-BENNETT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

Contributions

The Center reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period as received are reflected as contributions without donor restrictions in the accompanying financial statements.

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.

SCARRITT-BENNETT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Receivables

Receivables 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, 2018 and 2017, 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, 2018 or 2017.

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 net realizable value on a first-in first-out basis.

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.

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.

SCARRITT-BENNETT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Perpetual Trusts Held by Third Parties

Perpetual trusts held by third parties 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.

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 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 and reported on a functional basis. Program expenses include costs directly associated with the program and other indirect costs determined to benefit that program. These costs have been allocated between program expenses and supporting services based on estimates made by management.

Advertising

The Center expenses advertising costs as they are incurred. Advertising expense for the years ended December 31, 2018 and 2017, was \$55,431 and \$28,457, respectively.

SCARRITT-BENNETT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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.

New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board (“FASB”) issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Center has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented with the exception of the disclosure of liquidity and availability of resources, which has been implemented prospectively as allowed under the provisions of ASU 2016-14.

Reclassifications

Certain reclassifications have been made to the 2017 amounts in the financial statements to conform to the presentation adopted for 2018.

SCARRITT-BENNETT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Restatement

During April 2019, it was determined that more net income was recorded in relation to the Center's investment in joint venture - MidTown Place, LLC, than was allowed under the provision of the member's agreement. The impact on the financial statements is a restatement of beginning net assets for the earliest period presented as follows:

Total net assets, January 1, 2017, as previously reported	\$ 9,866,766
Adjustment to reduce the Center's investment in joint venture - MidTown Place, LLC	<u>(225,213)</u>
Total net assets, January 1, 2017, as restated	<u>\$ 9,641,553</u>

B. LIQUIDITY AND AVAILABILITY OF RESOURCES

The table below represents financial assets available for general expenditures within one year at December 31, 2018:

Financial assets at year end:	
Cash	\$ 889,098
Receivables	256,760
Leasehold rights - facilities usage	1,800,000
Investment in joint venture	829,561
Investments	4,912,616
Perpetual trusts held by third parties	<u>361,923</u>
Total financial assets	<u>9,049,958</u>
Less amounts not available to be used for general expenditures within one year:	
Financial assets not available to be used within one year:	
Investment in joint venture	829,561
Amounts subject to time or purpose restrictions	2,658,791
Donor restricted funds held in perpetuity	<u>4,467,019</u>
Total financial assets not available to be used within one year	<u>7,955,371</u>
Financial assets available to meet general expenditures within one year	<u>\$ 1,094,587</u>

SCARRITT-BENNETT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

B. LIQUIDITY AND AVAILABILITY OF RESOURCES - Continued

The Center receives significant support through restricted and unrestricted contributions and must maintain sufficient resources to meet responsibilities to its donors; therefore, these assets are limited to use for donor-restricted purposes. The Center also reviews significant revenues from grants which are mainly received from UMW and are ongoing. Grant revenues are received monthly through submittal of reimbursement requests for various capital items and property improvements. The Center is the beneficiary of various perpetual trusts created by donors, the assets of which are not in the possession of the Center. The Center has legally enforceable rights or claims to such assets including the right to income therefrom. The Center has recorded the assets and recognized contribution revenue with donor restrictions at the fair value of its beneficial interest in these perpetual trusts. Distributions received on these perpetual trusts are recorded as investment income in the statements of activities unless otherwise restricted by the donor. Subsequent changes in fair value of the perpetual trusts are recorded as net unrealized gains or losses on perpetual trusts held by others in the net assets with donor restrictions classification. The Center has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

C. INVESTMENTS

Investments are presented in the financial statements at fair value. At December 31, 2018 and 2017, the fair value and cost of investments are as follows:

	<u>2018</u>		<u>2017</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Short-term investments	\$ 373,782	\$ 373,782	\$ 321,152	\$ 321,152
Equities	2,832,804	1,748,085	3,268,645	1,763,031
Fixed income	<u>1,706,030</u>	<u>1,731,752</u>	<u>1,791,843</u>	<u>1,779,717</u>
	<u>\$4,912,616</u>	<u>\$3,853,618</u>	<u>\$5,381,640</u>	<u>\$3,863,900</u>

SCARRITT-BENNETT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

C. INVESTMENTS - Continued

The following schedule summarizes the investment return and its classification in the statements of activities for the years ended December 31, 2018 and 2017:

	2018			
	Without Donor Restrictions	With Donor Restrictions Temporary in Nature	Permanent in Nature	Total
Interest and dividend income, net of fees	\$ -	\$ 73,059	\$ -	\$ 73,059
Net realized and unrealized losses on long-term investments	-	(347,286)	(30,924)	(378,210)
	<u>\$ -</u>	<u>\$(274,227)</u>	<u>\$(30,924)</u>	<u>\$(305,151)</u>
Investment return designated for current operations	\$ -	\$ 194,797	\$ -	\$ 194,797
Investment return under amount designated for current operations	-	(469,024)	(30,924)	(499,948)
	<u>\$ -</u>	<u>\$(274,227)</u>	<u>\$(30,924)</u>	<u>\$(305,151)</u>
2017				
	Without Donor Restrictions	With Donor Restrictions Temporary in Nature	Permanent in Nature	Total
Interest and dividend income, net of fees	\$ -	\$ 59,967	\$ 702	\$ 60,669
Net realized and unrealized (losses) gains on long-term investments	(257,684)	544,242	31,287	317,845
Spending rule appropriation and reclassification	<u>170,039</u>	<u>(170,039)</u>	<u>-</u>	<u>-</u>
	<u>\$(87,645)</u>	<u>\$ 434,170</u>	<u>\$ 31,989</u>	<u>\$378,514</u>
Investment return designated for current operations	\$ 170,039	\$ 87,638	\$ -	\$ 257,677
Investment return (under) over amount designated for current operations	<u>(257,684)</u>	<u>346,532</u>	<u>31,989</u>	<u>120,837</u>
	<u>\$(87,645)</u>	<u>\$ 434,170</u>	<u>\$ 31,989</u>	<u>\$378,514</u>

Investment expenses of approximately \$66,800 and \$68,700 in 2018 and 2017, respectively, have reduced investment income.

SCARRITT-BENNETT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

D. 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, 2018 and 2017, the fair value of the assets held under the agreement was \$163,751 and \$184,931, respectively, and is included in net assets with donor restrictions.

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, 2018 and 2017, the fair value of the assets held under the second agreement was \$198,172 and \$207,916, respectively, and is included in net assets with donor restrictions.

E. ENDOWMENT

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

Interpretation of Relevant Law

The Center is subject to the Tennessee Prudent Management of Institutional Funds Act ("TPMIFA") and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions until the Board of Directors appropriates such amounts for expenditure and any other purpose restrictions have been met. The Board of Directors has interpreted 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 net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with TPMIFA, the Center 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, 2018 AND 2017

E. ENDOWMENT - Continued

Endowment net assets are composed of the following at December 31, 2018:

	Without Donor <u>Restrictions</u>	<u>With Donor Restrictions</u> Temporary <u>in Nature</u>	Permanent <u>in Nature</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$807,520	\$4,467,019	\$5,274,539
Board-designated endowment funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$807,520</u>	<u>\$4,467,019</u>	<u>\$5,274,539</u>

Changes in endowment net assets are as follows for the year ended December 31, 2018:

Endowment net assets, beginning of year	\$ -	\$ 1,276,544	\$ 4,497,943	\$ 5,774,487
Investment return:				
Investment income	-	73,059	-	73,059
Net realized and unrealized losses	<u>-</u>	<u>(347,286)</u>	<u>(30,924)</u>	<u>(378,210)</u>
Total investment loss	-	(274,227)	(30,924)	(305,151)
Appropriation of endowment gains for expenditures	<u>-</u>	<u>(194,797)</u>	<u>-</u>	<u>(194,797)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 807,520</u>	<u>\$ 4,467,019</u>	<u>\$ 5,274,539</u>

SCARRITT-BENNETT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

E. ENDOWMENT - Continued

Endowment net assets are composed of the following at December 31, 2017:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u> Temporary <u>in Nature</u>	<u>Permanent in Nature</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$1,276,544	\$4,497,943	\$5,774,487
Board-designated endowment funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$1,276,544</u>	<u>\$4,497,943</u>	<u>\$5,774,487</u>

Changes in endowment net assets are as follows for the year ended December 31, 2017:

Endowment net assets, beginning of year	\$ 1,583,154	\$ 930,012	\$4,465,954	\$ 6,979,120
Investment return:				
Investment income	-	59,967	702	60,669
Net realized and unrealized (losses) gains	<u>(257,684)</u>	<u>544,242</u>	<u>31,287</u>	<u>317,845</u>
Total investment (loss) gain	(257,684)	604,209	31,989	378,514
Appropriation of endowment gains for expenditures	-	(257,677)	-	(257,677)
Redemptions	<u>(1,325,470)</u>	<u>-</u>	<u>-</u>	<u>(1,325,470)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 1,276,544</u>	<u>\$4,497,943</u>	<u>\$ 5,774,487</u>

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. The remaining funds were placed in a money market account.

SCARRITT-BENNETT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

E. ENDOWMENT - Continued

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 net assets without donor restrictions. 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, 2018 or 2017.

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 Center must hold in perpetuity or for a donor-specified period. 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 4.00% and 5.25% as of December 31, 2018 and 2017, respectively, for distribution 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, 2018 AND 2017

F. PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2018 and 2017, is as follows:

	<u>2018</u>	<u>2017</u>
Improvements	\$ 3,365,889	\$ 2,362,161
Furniture	105,432	105,432
Equipment	<u>855,913</u>	<u>852,849</u>
	4,327,234	3,320,442
Less accumulated depreciation	<u>(1,627,554)</u>	<u>(1,379,541)</u>
	<u>\$ 2,699,680</u>	<u>\$ 1,940,901</u>

Included in equipment at December 31, 2018 and 2017 is certain equipment under a capital lease obligation (See Note N).

G. 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 \$5,242,218 and \$5,350,624 at December 31, 2018 and 2017, respectively. The loan is collateralized by Midtown Place Apartments and is guaranteed by the developer. The Center does not guarantee the loan.

SCARRITT-BENNETT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

G. INVESTMENT IN JOINT VENTURE - MIDTOWN PLACE, LLC - Continued

A summary of the assets and liabilities of Midtown Place, LLC as of December 31, 2018 and 2017, is as follows:

	<u>2018</u>	<u>2017</u>
Total assets	\$6,223,003	\$6,381,819
Total liabilities	<u>5,435,496</u>	<u>5,556,968</u>
Equity	<u>\$ 787,507</u>	<u>\$ 824,851</u>

Net revenues of Midtown Place totaled \$948,685 and \$900,448 for 2018 and 2017, respectively. The Center's share of Midtown Place's net income for both 2018 and 2017 was \$60,000. The Center received distributions from Midtown Place totaling \$121,376 and \$124,432 in 2018 and 2017, 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, 2018 or 2017.

H. PENSION PLAN

All full-time staff and regular part-time staff who work 1,000 hours or more per year 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 to a personal accumulations account, through payroll deduction, up to 100% of eligible compensation, not to exceed Internal Revenue Code limits (maximum of \$18,500 and \$18,000 for 2018 and 2017, respectively). Staff members who have attained age 50 before the end of the year are eligible to make catch-up contributions (maximum of \$6,000 for both 2018 and 2017). The Center contributes nine percent on behalf of the employees. The total pension expense for the years ended December 31, 2018 and 2017, was \$61,100 and \$56,162, respectively.

SCARRITT-BENNETT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

I. 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 \$94,500,000 and \$98,600,000 and the Plan’s unfunded expected postretirement benefit obligation (“EPBO”) was approximately \$131,500,000 and \$148,700,000 as of December 31, 2018 and 2017, 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 \$172,152 and \$156,360 in 2018 and 2017, respectively.

J. RELATED PARTY TRANSACTIONS

The United Methodist Women (“UMW”) appoints 8 of the 24 voting directors of Scarritt-Bennett Center. In 2018 and 2017, the UMW provided the Center with financial support of \$100,000 in each year and grants in the amount of \$1,001,347 and \$784,883, respectively, in addition to the rent-free use of the facilities, as described in Note K. UMW also holds meetings and conferences at the Center, for which the Center receives fees and income from use of facilities.

In March 2018, the Center entered into a service agreement with the General Council on Finance and Administration of the United Methodist Church (“GCFA”). Under the agreement, GCFA has committed to provide the Center with payroll, human resource, and information technology services. Fees paid to GCFA totaled \$28,407 in 2018.

SCARRITT-BENNETT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

K. 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, 2018 and 2017, which represents the right to use the facilities for 2018 and 2017, respectively. The related rent expense was \$1,800,000 for 2018 and 2017. The leasehold rights - facilities usage as of December 31, 2018 and 2017, is a net asset with donor restrictions.

L. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2018 and 2017 have been restricted by the donor for the following purposes:

	<u>2018</u>	<u>2017</u>
Subject to time and purpose restrictions:		
Time restrictions:		
Facilities usage	\$1,800,000	\$1,800,000
General endowment - net accumulated gains	371,824	675,010
Purpose restrictions:		
Miller lectureship	93,534	100,021
Centennial Global Scholars Fund	64,553	69,020
General unrestricted scholarships	276,313	431,131
Library	1,296	1,362
Other	<u>51,271</u>	<u>66,824</u>
	<u>2,658,791</u>	<u>3,143,368</u>
Permanent endowments:		
General endowment	3,092,606	3,113,786
Scholarships	1,324,413	1,334,157
Other	<u>50,000</u>	<u>50,000</u>
	<u>4,467,019</u>	<u>4,497,942</u>
	<u>\$7,125,810</u>	<u>\$7,641,311</u>

SCARRITT-BENNETT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

L. NET ASSETS WITH DONOR RESTRICTIONS - Continued

Income from permanent endowments to be held in perpetuity are available for general operations and scholarships.

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

	<u>2018</u>	<u>2017</u>
Time restrictions:		
Passage of specified time - rent-free use facilities	\$1,800,000	\$1,800,000
Purpose restrictions:		
Satisfaction of purpose restrictions	<u>210,350</u>	<u>122,944</u>
	<u>\$2,010,350</u>	<u>\$1,922,944</u>

M. 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.

N. LEASES AND COMMITMENTS

Capital Lease

During 2013, the Center entered into a capital lease agreement for certain computer equipment. The lease expired in June 2018 and had an implicit interest rate equal to the Center's incremental borrowing rate of 4.50%. Equipment under the lease totaled \$-0- and \$17,357, net of accumulated depreciation of \$135,013 and \$117,656 at December 31, 2018 and 2017, respectively.

SCARRITT-BENNETT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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, 2018 and 2017 amounted to approximately \$150,000 and \$166,000, respectively. Expected future minimum lease payments required under the non-cancelable agreements are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$54,947
2020	14,787
2021	<u>6,926</u>
	<u>\$76,660</u>

Subleases

The Center subleases space to various not-for-profit organizations. Rental income associated with these subleases for the years ended December 31, 2018 and 2017 amounted to approximately \$51,400 and \$19,400, respectively. Future minimum rental income under the sublease agreements as of December 31, 2018 is approximately \$36,400 for the year ending December 31, 2019.

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, 2018 AND 2017

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, 2018 and 2017, 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, 2018:</u>				
Investments:				
Short-term				
investments	\$ 373,782	\$ 373,782	\$ -	\$ -
Equities	2,832,804	2,832,804	-	-
Fixed income	<u>1,706,030</u>	<u>-</u>	<u>1,706,030</u>	<u>-</u>
Total investments	<u>\$4,912,616</u>	<u>\$3,206,586</u>	<u>\$1,706,030</u>	<u>\$ -</u>
Perpetual trusts				
held by third				
parties	<u>\$ 361,923</u>	<u>\$ 361,923</u>	<u>\$ -</u>	<u>\$ -</u>

SCARRITT-BENNETT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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, 2017:</u>				
Investments:				
Short-term				
investments	\$ 321,152	\$ 321,152	\$ -	\$ -
Equities	3,268,645	3,268,645	-	-
Fixed income	<u>1,791,843</u>	<u>-</u>	<u>1,791,843</u>	<u>-</u>
Total investments	<u>\$5,381,640</u>	<u>\$3,589,797</u>	<u>\$1,791,843</u>	<u>\$ -</u>
Perpetual trusts				
held by third				
parties	<u>\$ 392,847</u>	<u>\$ 392,847</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.

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, and accounts payable and other liabilities. The recorded values of accounts receivable and accounts payable and other liabilities approximate their fair values based on their short-term nature.

SCARRITT-BENNETT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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.

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 June 4, 2019, the date the financial statements were available for issuance, and has determined that there are no subsequent events requiring disclosure.

OTHER INFORMATION

SCARRITT-BENNETT CENTER
SCHEDULE OF REVENUES, GAINS AND OTHER SUPPORT
YEAR ENDED DECEMBER 31, 2018

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Contributions:			
UMW support and grants	\$ 1,101,347	\$ -	\$ 1,101,347
Perpetual trust distributions	-	-	-
Other gifts	106,461	-	106,461
	<u>1,207,808</u>	<u>-</u>	<u>1,207,808</u>
Fees:			
Audio/visual equipment fees	31,599	-	31,599
Catering	215,900	-	215,900
Dining hall use	26,510	-	26,510
Food service	334,416	-	334,416
Housing and meeting space	880,366	-	880,366
Program fees	6,624	-	6,624
Other fees	353	-	353
	<u>1,495,768</u>	<u>-</u>	<u>1,495,768</u>
Rent income and use of facilities:			
Scarritt Hall	39,600	-	39,600
Bennett Hall	34,105	-	34,105
Chapel and forfeited deposits	348,690	-	348,690
Fondren Hall	56,118	-	56,118
Laskey Library	220,294	-	220,294
Ogburn House	38,400	-	38,400
	<u>737,207</u>	<u>-</u>	<u>737,207</u>
Other income:			
Gain on joint venture	60,000	-	60,000
Miscellaneous	8,183	-	8,183
	<u>68,183</u>	<u>-</u>	<u>68,183</u>
Contribution - facilities usage	<u>-</u>	<u>1,800,000</u>	<u>1,800,000</u>
Investment return designated for current operations	<u>-</u>	<u>194,797</u>	<u>194,797</u>
Net assets released from restrictions:			
Expiration of time restriction	1,800,000	(1,800,000)	-
Satisfaction of purpose restrictions	<u>210,350</u>	<u>(210,350)</u>	<u>-</u>
Total revenues, gains and other support	<u>\$ 5,519,316</u>	<u>\$ (15,553)</u>	<u>\$ 5,503,763</u>

See independent auditor's report.

SCARRITT-BENNETT CENTER
SCHEDULE OF REVENUES, GAINS AND OTHER SUPPORT
YEAR ENDED DECEMBER 31, 2017

	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Contributions:			
UMW support and grants	\$ 884,883	\$ -	\$ 884,883
Other gifts	320,606	5,000	325,606
	<u>1,205,489</u>	<u>5,000</u>	<u>1,210,489</u>
Fees:			
Audio/visual equipment fees	40,012	-	40,012
Catering	219,152	-	219,152
Dining hall use	47,825	-	47,825
Food service	315,995	-	315,995
Housing and meeting space	790,769	-	790,769
Program fees	19,543	-	19,543
Other fees	12,458	-	12,458
	<u>1,445,754</u>	<u>-</u>	<u>1,445,754</u>
Rent income and use of facilities:			
Scarritt Hall	14,850	-	14,850
Bennett Hall	63,295	-	63,295
Chapel and forfeited deposits	311,336	-	311,336
Fondren Hall	62,525	-	62,525
International Room	13,178	-	13,178
Laskey Library	269,322	-	269,322
Ogburn House	38,400	-	38,400
	<u>772,906</u>	<u>-</u>	<u>772,906</u>
Other income:			
Gain on joint venture	142,813	-	142,813
	<u>142,813</u>	<u>-</u>	<u>142,813</u>
Contribution - facilities usage	<u>-</u>	<u>1,800,000</u>	<u>1,800,000</u>
Investment return designated for current operations	<u>170,039</u>	<u>87,638</u>	<u>257,677</u>
Net assets released from restrictions:			
Expiration of time restriction	1,800,000	(1,800,000)	-
Satisfaction of purpose restrictions	122,944	(122,944)	-
Total revenues, gains and other support	<u>\$ 5,659,945</u>	<u>\$ (30,306)</u>	<u>\$ 5,629,639</u>

See independent auditor's report.

SCARRITT-BENNETT CENTER
SCHEDULE OF CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2018

		Additions			
	Balance Beginning of Year	Gifts	Income Added to Principal	Net Gain/(Loss) on Investments	Balance End of Year
Net Assets With Donor Restrictions (Perpetual in Nature):					
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	184,931	-	-	(21,180)	163,751
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
	3,113,786	-	-	(21,180)	3,092,606

SCARRITT-BENNETT CENTER
SCHEDULE OF CHANGES IN NET ASSETS - CONTINUED
YEAR ENDED DECEMBER 31, 2018

		Additions			
	Balance Beginning of Year		Income Added to Principal	Net Gain/(Loss) on Investments	Balance End of Year
		Gifts			
Donor-Restricted Endowments -					
Income Restricted For General Scholarships:					
Barnes, Jane E.	5,000	-	-	-	5,000
Barnett, Ola Lee Perpetual Trust	207,916	-	-	(9,744)	198,172
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	19,268	-	-	-	19,268
Madely, D. A.	10,000	-	-	-	10,000
McCready, Isabel Bennett	161,134	-	-	-	161,134
Miller, Margaret Ross	15,000	-	-	-	15,000
Miller, Marion	10,000	-	-	-	10,000
Moore, Nell Proffit	3,732	-	-	-	3,732
Myers, Mary Elizabeth	26,580	-	-	-	26,580
Neblett, Sterling Augustus	5,978	-	-	-	5,978
Payne, Mrs. G. A.	3,987	-	-	-	3,987
Poynter, Harriet & Juliet	13,500	-	-	-	13,500
Pratt, Carrie Bexton	2,500	-	-	-	2,500
Richardson, Dr. Mary McDaniel	6,000	-	-	-	6,000
Saunders Family	5,734	-	-	-	5,734
Sensabaugh Fund	56,715	-	-	-	56,715
Towner, Ruth Memorial	5,610	-	-	-	5,610
Woodruff, Annie Lou Scholarship	37,956	-	-	-	37,956
	1,334,157	-	-	(9,744)	1,324,413
Donor-Restricted Endowments -					
Earnings Restricted for Various Purposes:					
Centennial Global Scholars Fund	15,000	-	-	-	15,000
Miller, George - Lectures	25,000	-	-	-	25,000
Library Endowment	10,000	-	-	-	10,000
	50,000	-	-	-	50,000
Total Net Assets With Donor Restrictions -					
(Donor-Restricted Endowments - Perpetual in Nature)					
	\$ 4,497,943	\$ -	\$ -	\$ (30,924)	\$ 4,467,019

SCARRITT-BENNETT CENTER
SCHEDULE OF CHANGES IN NET ASSETS - CONTINUED
YEAR ENDED DECEMBER 31, 2018

	Balance Beginning of Year	Income (Loss)	Deductions Maturities, Expenditures, and Redemptions	Other	Balance End of Year
Investment Earnings From Donor-Restricted Endowments - Net Asset With Donor Restrictions (Temporary in Nature):					
Centennial Global Scholars Fund					
Earnings net of expenditures	\$ 30,155	\$ 1,090	\$ -	\$ -	\$ 31,245
Realized and unrealized gains and losses	38,865	(5,557)	-	-	33,308
	<u>69,020</u>	<u>(4,467)</u>	<u>-</u>	<u>-</u>	<u>64,553</u>
Miller, George A., Lectureship					
Earnings net of expenditures	43,622	1,577	-	-	45,199
Realized and unrealized gains and losses	56,399	(8,064)	-	-	48,335
	<u>100,021</u>	<u>(6,487)</u>	<u>-</u>	<u>-</u>	<u>93,534</u>
Library Endowment					
Earnings net of expenditures	721	26	-	-	747
Realized and unrealized gains and losses	641	(92)	-	-	549
	<u>1,362</u>	<u>(66)</u>	<u>-</u>	<u>-</u>	<u>1,296</u>
General Endowment - Scholarship					
Earnings net of expenditures	(1,297,896)	22,750	(66,246)	-	(1,341,392)
Realized and unrealized gains and losses	1,729,027	(111,322)	-	-	1,617,705
	<u>431,131</u>	<u>(88,572)</u>	<u>(66,246)</u>	<u>-</u>	<u>276,313</u>
General Endowment - Unrestricted					
Earnings net of expenditures	(3,617,814)	47,615	(128,551)	-	(3,698,750)
Realized and unrealized gains and losses	4,292,824	(222,250)	-	-	4,070,574
	<u>675,010</u>	<u>(174,635)</u>	<u>(128,551)</u>	<u>-</u>	<u>371,824</u>
Total Investment Earnings From Donor-Restricted Endowments - Temporary in Nature	<u>1,276,544</u>	<u>(274,227)</u>	<u>(194,797)</u>	<u>-</u>	<u>807,520</u>
Other Restricted Net Assets (Temporary in Nature):					
Facilities usage - time restricted	1,800,000	1,800,000	(1,800,000)	-	1,800,000
Other	66,824	-	(15,553)	-	51,271
	<u>1,866,824</u>	<u>1,800,000</u>	<u>(1,815,553)</u>	<u>-</u>	<u>1,851,271</u>
Total Other Net Assets With Restrictions (Temporary in Nature)	<u>1,866,824</u>	<u>1,800,000</u>	<u>(1,815,553)</u>	<u>-</u>	<u>1,851,271</u>
Total Net Assets With Donor Restrictions (Temporary in Nature)	<u>\$ 3,143,368</u>	<u>\$ 1,525,773</u>	<u>\$ (2,010,350)</u>	<u>\$ -</u>	<u>\$ 2,658,791</u>
Total Net Assets With Donor Restrictions (Temporary in Nature and Permanent in Nature)	<u>\$ 7,641,311</u>	<u>\$ 1,525,773</u>	<u>\$ (2,010,350)</u>	<u>\$ (30,924)</u>	<u>\$ 7,125,810</u>
Total Net Assets Without Donor Restrictions, as restated	<u>\$ 3,274,803</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 917,691</u>	<u>\$ 4,192,494</u>

See independent auditor's report.