SCARRITT-BENNETT CENTER

FINANCIAL STATEMENTS

Years Ended December 31, 2010 and 2009

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of Scarritt-Bennett Center (a non-profit organization) as of December 31, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on the 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Scarritt-Bennett Center as of December 31, 2010 and 2009, and the results of its activities and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Byrd, Proctor & Mills, P.C.

November 30, 2011

SCARRITT-BENNETT CENTER
STATEMENTS OF FINANCIAL POSITION
December 31, 2010 and 2009

	2010			2009
	Current Operations	Long-term Investment	Total	Total
ASSETS				
Cash	$ 65,550	$ -	$ 65,550	$ 5,552
Accrued interest and dividends	-	82,320	82,320	28,003
Accounts receivable	115,523	-	115,523	185,725
Inventory	3,683	-	3,683	-
Contributions receivable-facilities usage	1,800,000	-	1,800,000	1,800,000
Property and equipment	2,076,424	-	2,076,424	2,154,969
Long-term investments	-	6,832,013	6,832,013	6,860,705
Perpetual trusts held by third parties	-	379,883	379,883	361,383
Historical collections - see note	-	-	-	-
	$ 4,061,180	$ 7,294,216	$ 11,355,396	$ 11,396,337
LIABILITIES				
Accounts payable and other liabilities	$ 215,022	$ -	$ 215,022	$ 195,592
Deposits	333,731	-	333,731	359,409
Notes payable - line of credit	299,778	-	299,778	246,379
Due to (from) other funds	268,576	(268,576)	-	-
Annuity obligations	-	7,000	7,000	7,000
Discount for future interest in life income agreements	-	6,000	6,000	6,000
	1,117,107	(255,576)	861,531	814,380
NET ASSETS				
Donor restricted:				
Permanently	-	4,419,589	4,419,589	4,394,587
Temporarily	1,838,821	943,713	2,782,534	2,675,681
Unrestricted:				
Designated by the Board for long-term investment	-	2,186,490	2,186,490	2,282,339
Undesignated	1,105,252	-	1,105,252	1,229,350
	2,944,073	7,549,792	10,493,865	10,581,957
	$ 4,061,180	$ 7,294,216	$ 11,355,396	$ 11,396,337

See accompanying notes.

2009			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 201,310	$ 19,259	$ 62,500	$ 283,069
1,276,873	-	-	1,276,873
697,874	-	-	697,874
26,933	-	-	26,933
-	1,831,291	-	1,831,291
472,716	103,267	-	575,983
1,840,905	(1,840,905)	-	-
121,511	(121,511)	-	-
4,638,122	(8,599)	62,500	4,692,023
549,257	-	-	549,257
17,502	-	-	17,502
22,369	-	-	22,369
580,386	-	-	580,386
626,794	-	-	626,794
23,045	-	-	23,045
70,254	-	-	70,254
97,226	-	-	97,226
158,298	-	-	158,298
22,045	-	-	22,045
1,764,863	-	-	1,764,863
909,678	-	-	909,678
117,294	-	-	117,294
36,032	-	-	36,032
2,220	-	-	2,220
4,997,263	-	-	4,997,263
(359,141)	(8,599)	62,500	(305,240)
101,369	26,800	19,820	147,989
(257,772)	18,201	82,320	(157,251)
3,769,461	2,657,480	4,312,267	10,739,208
$ 3,511,689	$ 2,675,681	$ 4,394,587	$ 10,581,957

See accompanying notes.

SCARRITT-BENNETT CENTER
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2010 and 2009

	2010			2009
	Current Operations	Long-term Investment	Total	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in net assets	$ (132,217)	$ 44,125	$ (88,092)	$ (157,251)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:				
Depreciation expense	129,786	-	129,786	128,905
Net noncash donation - facilities usage	-	-	-	(31,292)
Realized and unrealized gain on investments	-	(631,178)	(631,178)	(628,712)
Loss on disposal of property and equipment	450	-	450	-
(Increase) decrease in:				
Accrued interest and dividends	-	(54,317)	(54,317)	(4,419)
Accounts receivable	70,202	-	70,202	51,447
Inventory	(3,683)	-	(3,683)	-
Perpetual trusts held by third parties	-	(18,500)	(18,500)	(19,738)
Increase (decrease) in:				
Accounts payable and other liabilities	19,430	-	19,430	(95,377)
Annuity/Life income agreement	-	-	-	(2,000)
Refundable deposits	(25,678)	-	(25,678)	117,294
Net cash provided (used) by operating activities	58,290	(659,870)	(601,580)	(641,143)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	-	(1,638,257)	(1,638,257)	(5,106,035)
Proceeds from sale of investments	-	2,298,127	2,298,127	5,672,297
Purchase of property and equipment	(51,692)	-	(51,692)	(20,564)
Net cash provided (used) by investing activities	(51,692)	659,870	608,178	545,698
CASH FLOWS FROM FINANCING ACTIVITIES				
Net borrowings under line of credit	53,400	-	53,400	88,578
Net cash provided by financing activities	53,400	-	53,400	88,578
NET INCREASE (DECREASE) IN CASH	59,998	-	59,998	(6,867)
CASH AT BEGINNING OF YEAR	5,552	-	5,552	12,419
CASH AT END OF YEAR	$ 65,550	$ -	$ 65,550	$ 5,552

See accompanying notes.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Scarritt-Bennett Center is a conference, retreat, and education center related to the United Methodist Church. The property from which the Center operates is located in Nashville, Tennessee, and is owned by the Women's Division of the General Board of Global Ministries of the United Methodist Church. 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 includes multi-cultural, ecumenical, and inter-faith activities.

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. Temporarily restricted net assets consist of a split-interest agreement representing a gift of a future interest, a gift of facilities usage, and certain other gifts which are restricted for specific purposes.

Permanently restricted net assets consist 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.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

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.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Center considers all highly liquid debt 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 "Long-term investments" in the statements of financial position.

Property and Equipment

The Center's property and equipment is depreciated using the straight-line method. 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.

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, 2010 and 2009, management concluded that realization losses on balances outstanding at year end would not be material based on management's assessment of credit history and current relationships. Therefore, no valuation allowance account was established at December 31, 2010 or 2009.

Inventory

Inventory consists primarily of food products on hand at the balance sheet 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 in active markets (all Level 1 measurements).

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Endowment

The Center's endowment consists of approximately 80 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by 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:

(1) The duration and preservation of the fund
(2) The purposes of the Center and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Center
(7) The investment policies of the Center

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 shortly after the investment of new permanently restricted contributions along with continued appropriation for certain programs that are deemed prudent by the Board of Directors. There was one fund with a deficiency of approximately $1,000 at December 31, 2009 and no deficiency at December 31, 2010.

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 8% 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 6 percent of its endowment fund's average fair value over the prior three years. The calculation is based on the three fiscal years ending on the September 30 preceding 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 2 percent annually. This is consistent with the organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

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 2008 and later are subject to examination by the Internal Revenue Service.

Advertising

The Center expenses advertising costs as they are incurred. Advertising expense for the years ended December 31, 2010 and 2009, was $24,101 and $26,465, respectively.

Evaluation of Events Occurring After the Financial Statement Date

Management has evaluated subsequent events through November 30, 2011, the date the financial statements were available to be issued.

NOTE 2 – INVESTMENTS

Investments are presented in the financial statements at fair value. Virtually all investments are held by a trust company. Investments are composed of the following:

	2010		2009	
	Fair Value	Cost	Fair Value	Cost
Short-term investments	$ 303,760	$ 303,760	$ 414,086	$ 414,086
Equity	4,313,946	3,213,574	3,929,253	3,242,976
Fixed income	2,214,307	2,032,586	2,517,366	2,389,304
	$ 6,832,013	$ 5,549,920	$ 6,860,705	$ 6,046,366

FASB ASC 820 establishes a consistent definition of fair value and a hierarchy that encourages and is based on the use of observable inputs, but allows for unobservable inputs when observable inputs do not exist. Inputs are classified into one of three categories:

- Level 1 inputs are based on unadjusted quoted prices in active markets.
- Level 2 inputs are inputs that are quoted prices for similar assets in active or inactive markets.
- Level 3 inputs are inputs that are unobservable for the asset and rely on management's own assumptions that market participants would use in pricing the asset or liability.

Fair value measurements at December 31, 2010 are as follows:

	Level 1	Level 2	Level 3	Total
Investments	$ 6,832,013	$ -	$ -	$ 6,832,013

Fair value measurements at December 31, 2009 are as follows:

	Level 1	Level 2	Level 3	Total
Investments	$ 6,860,705	$ -	$ -	$ 6,860,705

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended December 31, 2010 and 2009:

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Income on long-term investment				
Annuity income	$ 6,064	$ -	$ -	$ 6,064
Endowment income	39,963	105,100	117	145,180
	46,027	105,100	117	151,244
Net realized and unrealized gains and losses on long-term investments				
Life income losses	-	(845)	-	(845)
Endowment gains	87,420	501,488	18,500	607,408
Annuity gains	22,896	-	-	22,896
Spending rule appropriation	394,438	(394,438)	-	-
	504,754	106,205	18,500	629,459
	$ 550,781	$ 211,305	$ 18,617	$ 780,703
Investment return designated for current operations	$ 394,438	$ 96,333	$ -	$ 490,771
Investment return over amount designated for current operations	156,343	114,972	18,617	289,932
	$ 550,781	$ 211,305	$ 18,617	$ 780,703

	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Income (loss) on long-term investment				
Annuity loss	$ (2,068)	$ -	$ -	$ (2,068)
Endowment income	22,358	73,351	82	95,791
	20,290	73,351	82	93,723
Net realized and unrealized gains and losses on long-term investments on long-term investments				
Life income gains	-	33	-	33
Endowment gains	219,224	364,401	19,738	603,363
Annuity gains	26,853	-	-	26,853
Spending rule appropriation	307,718	(307,718)	-	-
	553,795	56,716	19,738	630,249
	$ 574,085	$ 130,067	$ 19,820	$ 723,972
Investment return designated for current operations	$ 472,716	$ 103,267	$ -	$ 575,983
Investment return over amount designated for current operations	101,369	26,800	19,820	147,989
	$ 574,085	$ 130,067	$ 19,820	$ 723,972

Investment expenses of $85,600 in 2010 and $91,508 in 2009 have been used to reduce investment income.

NOTE 3 – SPLIT-INTEREST AGREEMENTS

The Center and its donors have established several types of split-interest agreements. Under these agreements, the Center receives benefits that are shared with other beneficiaries designated by the donors.

Charitable Gift Annuities

The Center has two annuity agreements at December 31, 2010 and 2009. Under these agreements, the donors have contributed assets to the Center in exchange for a promise by the Center to pay a fixed amount for a specified period of time to the donor or to individuals designated by the donor. The assets received are held as unrestricted assets of the Center and the liability for estimated future payments is recorded as an obligation.

Pooled Life Income Agreements

The Center has three participants in pooled life income agreements at December 31, 2010 and 2009. Under these agreements, the donors have contributed assets to the Center in exchange for a promise by the Center to pay to the donor the income earned on the contributed assets for a specified period of time. The assets are recorded as temporarily restricted assets.

Perpetual Trusts Held by Third Parties

Two donors have established perpetual trusts that 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, 2010 and 2009, the fair market value of the assets held under the first agreement was $181,460 and $162,241, 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, 2010 and 2009, the fair market value of the assets held under the second agreement was $198,423 and $199,142, respectively.

Charitable Remainder Trust

The Center is the remainder beneficiary and trustee for a charitable remainder trust. The life income beneficiary passed away in 2009, the trust terminated, and the Center received $40,225.

NOTE 4 – ENDOWMENT

Endowment net assets are composed of the following:

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 943,713	$ 4,419,589	$ 5,363,302
Board-designated endowment funds	2,186,490	-	-	2,186,490
	$ 2,186,490	$ 943,713	$ 4,419,589	$ 7,549,792

Changes in endowment net assets are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 2,282,339	$ 828,741	$ 4,394,587	$ 7,505,667
Investment return:				
Investment income	46,025	105,099	117	151,241
Net realized and unrealized gains	110,346	501,491	18,500	630,337
Total investment return	156,371	606,590	18,617	781,578
Contributions	-	-	6,385	6,385
Appropriation of endowment gains for expenditure	(250,000)	(490,771)	-	(740,771)
Other changes - split-interest agreements	(2,220)	(847)	-	(3,067)
Endowment net assets, end of year	$ 2,186,490	$ 943,713	$ 4,419,589	$ 7,549,792

	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 828,741	$ 4,394,587	$ 5,223,328
Board-designated endowment funds	2,282,339	-	-	2,282,339
	$ 2,282,339	$ 828,741	$ 4,394,587	$ 7,505,667

Changes in endowment net assets are as follows:

Endowment net assets, beginning of year	$ 2,183,306	$ 845,346	$ 4,312,267	$ 7,340,919
Investment return:				
Investment income	20,290	72,351	82	92,723
Net realized and unrealized gains	246,077	364,401	19,738	630,216
Total investment return	266,367	436,752	19,820	722,939
Contributions	-	-	62,500	62,500
Appropriation of endowment gains for expenditure	(164,998)	(413,485)	-	(578,483)
Other changes - split-interest agreements	(2,336)	(39,872)	-	(42,208)
Endowment net assets, end of year	$ 2,282,339	$ 828,741	$ 4,394,587	$ 7,505,667

	2010	2009
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	$ 4,419,589	$ 4,394,587

	2010	2009
Temporarily Restricted Net Assets:		
The portion of perpetual endowment funds subject to a time restriction under TPMIFA:		
Without purpose restrictions	$ 512,619	$ 343,621
With purpose restrictions	431,094	485,120
	$ 943,713	$ 828,741

NOTE 5 – PROPERTY AND EQUIPMENT

A summary of property and equipment follows:

	2010	2009
Land	$ 402,624	$ 402,624
Building	1,610,494	1,610,494
Leasehold improvements	407,763	400,277
Furniture	84,108	85,419
Equipment	414,958	589,846
Software	18,014	95,092
	2,937,961	3,183,752
Less accumulated depreciation	861,537	1,028,783
	$ 2,076,424	$ 2,154,969

NOTE 6 – PENSION PLAN

All full-time staff and regular part-time staff who work twenty or more hours a week are eligible to participate in one of the pension programs 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 ten percent to a personal accumulations account. The Center contributes 9% on behalf of the employees. The total pension expense for the years ended December 31, 2010 and 2009, was $85,071 and $55,567, respectively.

NOTE 7 – INSURANCE REFUND RECEIVABLE

Included in accounts receivable as of December 31, 2010 and 2009, is $100,660 and $150,989, respectively that is a receivable from an insurance provider. The insurance provider for the Center is returning $352,307 to the Center over a seven-year period beginning in 2006 and ending in 2012. The funds are paid in equal installments of $50,330 per year.

NOTE 8 – 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.

NOTE 9 – RELATED PARTY TRANSACTIONS

The Women's Division of the General Board of Global Ministries of the United Methodist Church (the Women's Division) appoints 8 of the 24 voting directors of Scarritt-Bennett Center. In 2010 and 2009, the Women's Division provided the Center with financial support in the amount of $45,000 and $45,417, respectively, in addition to the rent-free use of the facilities.

NOTE 10 – TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes and periods:

	2010	2009
Time restrictions:		
Facilities usage	$ 1,800,000	$ 1,800,000
Life income agreements	18,759	19,606
General endowment – net accumulated gains	473,004	324,015
Amounts designated for specific programs:		
Miller Lectureship	57,563	49,021
Centennial Global Scholars Fund	39,840	35,501
General unrestricted scholarships	353,795	401,580
Library	752	(982)
Other programs	38,821	46,940
	$ 2,782,534	$ 2,675,681

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

	2010	2009
Time restrictions expired:		
Passage of specified time - rent-free use of facilities	$ 1,800,000	$ 1,800,000
Passage of specified time - other	-	40,905
Program requirements met:		
Satisfaction of program restrictions	132,402	121,511
Total net assets released from restrictions	$ 1,932,402	$ 1,962,416

Permanently restricted net assets consist of the following:

	2010	2009
General endowment	$ 3,055,733	$ 3,030,129
Scholarships	1,313,856	1,314,458
Other	50,000	50,000
	$ 4,419,589	$ 4,394,587

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

NOTE 11 – CONTRIBUTION - RENT-FREE USE OF FACILITIES

The Women's Division of the General Board of Global Ministries of the United Methodist Church contributes a rent-free lease agreement to the Center. 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. The receivable is charged to expense over the lease term. The contribution receivable related to the right to use the facilities was $1,800,000 at December 31, 2010 and 2009, which represents the right to use the facilities for the 2011 and 2010, respectively. The related rent expense was $1,800,000 for 2010 and 2009. The contribution receivable for facilities usage as of December 31, 2010 and 2009 is a temporarily restricted net asset.

NOTE 12 – CONCENTRATIONS

In 2010, approximately 6% of the fee and rental income was from three United Methodist groups. In 2009, approximately 10% of fee and rental income was from three United Methodist groups.

NOTE 13 – LINE OF CREDIT

The Center has a $430,000 line of credit with a bank that expires January 2012. At December 31, 2010 and December 31, 2009, $299,778 and $246,379, respectively, was borrowed on that line. Interest on the loan is due monthly at the prime rate. Interest expense for the years ended December 31, 2010 and 2009 was $13,826 and $41,292, respectively. The line of credit is secured by certain unrestricted investments.

NOTE 14 – HISTORICAL COLLECTIONS

The Center's collections are made up of multicultural artifacts and tribal art, traditional pieces, prehistoric artifacts from North America and other items from cultures around the world. These items are held and displayed in the Center's various facilities for educational and exhibition purposes. During 2000 and 2001, the Center was given a significant number of collection items from another local museum. Each of the items is cataloged, preserved, and cared for, and activities verifying their existence and assessing their condition are performed continuously. In conformity with the practice followed by many museums, historical collection items are not included in the statement of financial position. Also, the value of collection items given to the Center is not reflected as revenue. The cost of all objects purchased is reported in program expenses.

NOTE 15 – LEASE OBLIGATION

During 2007, the Center entered into a lease agreement for certain telephone equipment. The lease is classified as an operating lease and required annual payments of $38,379 a year through 2011.

NOTE 16 – RETIREMENT BENEFIT OBLIGATIONS

The Center provides certain insurance benefits to retired employees who work for more than five years and reach retirement age while employed. The Center's management believes that it is not practical to reasonably estimate the amount of its liability for this benefit; accordingly, no liability has been recognized in the accompanying statements of financial position. The Center recognizes this expense when actually paid. Expense for the years ended December 31, 2010 and 2009 was approximately $14,200 and $14,400, respectively.

NOTE 17 – SUPPLEMENTAL CASH FLOW INFORMATION

For the years ended December 31, 2010 and 2009, interest paid was $13,826 and $41,292, respectively. No interest was capitalized.

NOTE 18 – SUBSEQUENT EVENT

In November 2010, the Center entered into a Development Agreement with a developer. Under this agreement, in 2011, the Center contributed its apartment complex to a new LLC in exchange for a 50% interest in the new LLC. The net book value of the apartments at December 31, 2010 was $1,834,000 and the Center was credited with a $2,000,000 capital contribution in exchange for the apartments. The LLC demolished the apartments and in their place is constructing a new 55-unit apartment complex, Midtown Place Apartments. The Developer will lease and manage the new complex for a management fee of 4% of gross rents less collectible deposits. Construction began in July 2011.