

**ORANGEBURG PREPARATORY SCHOOLS, INC.  
ORANGEBURG, SOUTH CAROLINA**

**AUDITED FINANCIAL STATEMENTS**

**MAY 31, 2014**

ORANGEBURG PREPARATORY SCHOOLS, INC.  
ORANGEBURG, SOUTH CAROLINA

AUDITED FINANCIAL STATEMENTS

MAY 31, 2014

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# McGregor & COMPANY<sup>LLP</sup>

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Orangeburg Preparatory Schools, Inc.  
Orangeburg, South Carolina

We have audited the accompanying financial statements of Orangeburg Preparatory Schools, Inc. (a nonprofit organization), which comprise the statement of financial position as of May 31, 2014, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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 Orangeburg Preparatory Schools, Inc. as of May 31, 2014, and the changes in its net assets, functional expenses, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*McGregor & Company, L.L.P.*

Orangeburg, South Carolina  
September 30, 2014

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ORANGEBURG PREPARATORY SCHOOLS, INC.  
STATEMENT OF FINANCIAL POSITION  
May 31, 2014

**ASSETS**

**Current Assets**

Cash and Cash Equivalents	\$ 1,455,300
Investments	1,368,649
Tuition Receivable	48,025
Childcare Receivable	7,952
Other Receivables	664
Prepaid Expenses	7,751
Cafeteria Inventory	668

**Total Current Assets** 2,889,009

**Property, Plant, and Equipment**

Land	524,895
Buildings, Equipment and Improvements, Net	<u>1,403,652</u>

**Total Property, Plant, and Equipment** 1,928,547

**Other Assets**

Endowment Investments	30,000
Utility Deposit	<u>215</u>

**Total Other Assets** 30,215

**TOTAL ASSETS** \$ 4,847,771

**ORANGEBURG PREPARATORY SCHOOLS, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**May 31, 2014**

**LIABILITIES**

**Current Liabilities**

Accounts Payable	\$ 18,124
Accrued Payroll	553,053
Accrued and Withheld Payroll Taxes and Benefits	43,602
Accrued Retirement	15,444
Accrued Income Taxes	2,276
Deferred Tuition and Childcare Revenues	658,042
Current Portion of Notes Payable	<u>90,803</u>

**Total Current Liabilities**

1,381,344

**Long-Term Liabilities**

Notes Payable, Net of Current Portion	<u>292,813</u>
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**Total Long-Term Liabilities**

292,813

**TOTAL LIABILITIES**

1,674,157

**NET ASSETS**

Unrestricted	2,569,453
Temporarily Restricted	574,161
Permanently Restricted	<u>30,000</u>

**TOTAL NET ASSETS**

3,173,614

**TOTAL LIABILITIES AND NET ASSETS**

\$ 4,847,771

ORANGEBURG PREPARATORY SCHOOLS, INC.  
STATEMENT OF ACTIVITIES  
For the Year Ended May 31, 2014

**CHANGES IN UNRESTRICTED NET ASSETS**

**Revenues, Gains, and Other Support**

Student Tuition	\$ 4,050,080
Fee Revenue	72,423
Yearbook	39,977
Contributions	47,411
Development Income	20,535
Athletic Revenue	36,872
Cafeteria Revenue	11,828
School Store Revenue	3,684
Childcare Revenue	447,187
Other Revenue	53,295
Income on Long-Term Investments	34,334
Other Investment Income	74
Net Unrealized and Realized Gains on Long-Term Investments	<u>90,006</u>

**Total Unrestricted Revenue and Gains**

4,907,706

**Net Assets Released from Restrictions**

Satisfaction of Program Restrictions

341,409

**Total Net Assets Released from Restrictions**

341,409

**Total Revenue, Gains, and Other Support**

5,249,115

**Expenses**

Instructional	2,595,035
Athletics	147,271
School Store and Canteen	4,661
Student Activities	285,845
Childcare	426,782
Management and General	<u>1,546,513</u>

**Total Expenses**

5,006,107

**Increase in Unrestricted Net Assets**

243,008

**ORANGEBURG PREPARATORY SCHOOLS, INC.**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended May 31, 2014**

**CHANGES IN TEMPORARILY RESTRICTED NET ASSETS**

Contributions	19,364
Receipts - Student Activity Funds	314,480
Other Revenues	23,380
Income on Long-Term Investments	9,379
Net Unrealized and Realized Gains on Long-Term Investments	22,230
Net Loss on Sale of Property	(29,351)
Net Assets Released from Restrictions	<u>(341,409)</u>
<b>Increase in Temporarily Restricted Net Assets</b>	<u>18,073</u>
<b>INCREASE IN NET ASSETS BEFORE PROVISION FOR INCOME TAXES</b>	<u>261,081</u>
<b>PROVISION FOR INCOME TAXES</b>	
Federal Tax	1,685
State Tax	<u>591</u>
<b>TOTAL PROVISION FOR INCOME TAXES</b>	<u>2,276</u>
<b>INCREASE IN NET ASSETS</b>	<u>258,805</u>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>2,914,809</u>
<b>NET ASSETS AT END OF YEAR</b>	<u><u>\$ 3,173,614</u></u>

See Notes to Financial Statements.

**ORANGEBURG PREPARATORY SCHOOLS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the Year Ended May 31, 2014

	Instructional	Athletics	School Store and Canteen	Student Activities	Childcare	Management and General	Total
<b>Personnel</b>							
Salaries	\$ 2,207,344	\$ -	\$ -	\$ -	\$ 342,271	\$ 587,937	\$ 3,137,552
Payroll Taxes	169,179	-	-	-	25,701	60,482	255,362
Retirement	22,499	-	-	-	2,360	63,208	88,067
Workers' Comp Insurance	-	-	-	-	-	24,772	24,772
	<u>2,399,022</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>370,332</u>	<u>736,399</u>	<u>3,505,753</u>
<b>Art and Music</b>							
Fine Arts							
Supplies	2,816	-	-	-	-	-	2,816
Chorus and Music	3,963	-	-	-	-	-	3,963
<b>Instructional</b>							
Accreditation	770	-	-	-	-	-	770
Awards and Incentives	1,344	-	-	-	-	-	1,344
Class Expense							
Fifth Grade	296	-	-	-	-	-	296
First Grade	155	-	-	-	-	-	155
Kindergarten	4,716	-	-	-	-	-	4,716
Preschool	397	-	-	-	-	-	397
Third Grade	269	-	-	-	-	-	269
Second Grade	(338)	-	-	-	-	-	(338)
Copy Materials and Rentals	35,318	-	-	-	-	-	35,318
Department Expense	(644)	-	-	-	-	-	(644)
Jamie's Garden	2,144	-	-	-	-	-	2,144
Dual Credit Classes	13,464	-	-	-	-	-	13,464
Guidance Department	332	-	-	-	-	-	332
Instructional Supplies	8,137	-	-	-	-	-	8,137
Internet	8,793	-	-	-	-	-	8,793
Lab Materials and Supplies	6,927	-	-	-	-	-	6,927

**ORANGEBURG PREPARATORY SCHOOLS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the Year Ended May 31, 2014

	Instructional	Athletics	School Store and Canteen	Student Activities	Childcare	Management and General	Total
<b>Instructional (continued)</b>							
Library							
Lower Library Supplies	2,454	-	-	-	-	-	2,454
Book Fair	9,237	-	-	-	-	-	9,237
Upper Library Supplies	2,545	-	-	-	-	-	2,545
Parking	289	-	-	-	-	-	289
Physical Education Expense	2,970	-	-	-	-	-	2,970
PSAT	1,246	-	-	-	-	-	1,246
SAT Prep Class	2,863	-	-	-	-	-	2,863
School Accident Insurance	15,156	-	-	-	-	-	15,156
Staff Development	6,287	-	-	-	-	-	6,287
Staff Recruitment Expense	3,753	-	-	-	-	-	3,753
Student Competitions	3,778	-	-	-	-	-	3,778
Senior Seminar	(170)	-	-	-	-	-	(170)
Testing Materials	4,667	-	-	-	-	-	4,667
Workbooks Purchased	6,464	-	-	-	-	-	6,464
Yearbook Expense	45,615	-	-	-	-	-	45,615
<b>Administrative</b>							
401(k) Administrative Costs	-	-	-	-	-	5,084	5,084
Administration Travel and Meals	-	-	-	-	-	1,187	1,187
Bad Debts and Other Losses	-	-	-	-	-	19,381	19,381
Bank Charges and Fees	-	-	-	-	-	36	36
Bank Card Merchant Fees	-	-	-	-	-	9,056	9,056
Computer Supplies and Maintenance	-	-	-	-	-	6,859	6,859
Advertising and Public Relations	-	-	-	-	-	4,514	4,514
Dues	-	-	-	-	-	10,327	10,327
Graduation Expenses	-	-	-	-	-	2,676	2,676
Headmaster's Discretionary	-	-	-	-	-	680	680
Interest	-	-	-	-	-	20,428	20,428
Medical Supplies	-	-	-	-	-	(1,081)	(1,081)
Miscellaneous	-	-	-	-	-	4,581	4,581
Office Supplies	-	-	-	-	-	5,180	5,180
Other Equipment	-	-	-	-	-	5,157	5,157
Postage and Freight	-	-	-	-	-	3,349	3,349

See Notes to Financial Statements.

**ORANGEBURG PREPARATORY SCHOOLS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the Year Ended May 31, 2014

	Instructional	Athletics	School Store and Canteen	Student Activities	Childcare	Management and General	Total
<b>Administrative (continued)</b>							
Printing	-	-	-	-	-	3,434	3,434
Professional	-	-	-	-	-	21,304	21,304
Security Guards	-	-	-	-	-	25,430	25,430
Technology Improvements	-	-	-	-	-	175	175
Telephone and Long-Distance Vehicles	-	-	-	-	-	10,825	10,825
CDL License - Drug Testing	-	-	-	-	-	345	345
Insurance	-	-	-	-	-	8,127	8,127
Vehicle Repairs and Gas	-	-	-	-	-	14,989	14,989
<b>Occupancy</b>							
Insurance	-	-	-	-	-	56,548	56,548
Buildings and General Liability	-	-	-	-	-		
Maintenance	-	-	-	-	-	9,065	9,065
Air and Heat	-	-	-	-	-	7,483	7,483
Building Repairs	-	-	-	-	-	9,887	9,887
Equipment Repairs	-	-	-	-	-	3,103	3,103
Grounds	-	-	-	-	-	54,377	54,377
Maintenance and Janitorial Supplies	-	-	-	-	-	1,933	1,933
Uniforms	-	-	-	-	-	6,665	6,665
Sanitation Expense	-	-	-	-	-	4,381	4,381
Tractor and Yard Repairs	-	-	-	-	-	152,200	152,200
Utilities	-	-	-	-	-	270,229	270,229
Depreciation	-	-	-	-	-		
<b>Tuition Grants and Scholarships</b>							
	-	-	-	-	-	52,200	52,200
<b>Athletic Expenses</b>							
Athletic Stipends	-	14,047	-	-	-	-	14,047
Awards and Incentives	-	55	-	-	-	-	55
Dues to SCISAA	-	2,525	-	-	-	-	2,525
Maintenance	-	1,678	-	-	-	-	1,678



**ORANGEBURG PREPARATORY SCHOOLS, INC.**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended May 31, 2014**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Increase in Net Assets	\$ 258,805
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
Depreciation	270,229
Net Realized and Unrealized Gains on Investments	(112,236)
Net Realized Loss on Sale of Property	29,351
Changes in Operating Assets and Liabilities	
(Increase) Decrease in Tuition Receivable	8,740
(Increase) Decrease in Childcare Receivable	(1,786)
(Increase) Decrease in Other Receivables	3,014
(Increase) Decrease in Prepaid Expenses	2,101
Increase (Decrease) in Accounts Payable	(17,730)
Increase (Decrease) in Accrued Payroll	(62,441)
Increase (Decrease) in Accrued and Withheld Payroll Taxes and Benefits	(4,649)
Increase (Decrease) in Accrued Retirement	(2,163)
Increase (Decrease) in Accrued Income Tax	132
Increase (Decrease) in Deferred Tuition	<u>(53,209)</u>

**NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES** 318,158

**CASH FLOWS FROM INVESTING ACTIVITIES**

Property, Plant, and Equipment	
Purchases	(82,577)
Proceeds from Sale of Real Estate	78,649
Investments	
Proceeds from Sales	10,350
Purchases	<u>(122,362)</u>

**NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES** (115,940)

**CASH FLOWS FROM FINANCING ACTIVITIES**

Repayment of Long-term Debt	<u>(93,862)</u>
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**NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES** (93,862)

**NET INCREASE (DECREASE) IN CASH** 108,356

**CASH AT BEGINNING OF YEAR** 1,346,944

**CASH AT END OF YEAR** \$ 1,455,300

**ORANGEBURG PREPARATORY SCHOOLS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Orangeburg Preparatory Schools, Inc. is an independent, college-preparatory coeducational day school enrolling students in preschool through twelfth grade. It is an eleemosynary corporation chartered under the laws of the State of South Carolina. It is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code, and is classified as other than a private foundation.

**Basis of Accounting**

The financial statements of the School have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables, and other liabilities.

**Public Support and Revenue**

The majority of the School's revenue comes from student tuition (approximately 75%) and fees for childcare (approximately 8%).

Contributions are generally available for unrestricted use in the current year unless specifically restricted by the donor.

Contributions of cash or other assets are reported as temporarily 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Endowment contributions and investments are permanently restricted by the donor. Investment earnings available for distribution are recorded as temporarily restricted net assets due to the limits set by donors on the use of investment earnings.

No amounts have been reflected in the financial statements for donated services. The School generally pays for services requiring specific expertise. Many individuals volunteer their time to perform a variety of tasks to assist the School, however these services do not meet the criteria for recognition as contributed services.

**Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**ORANGEBURG PREPARATORY SCHOOLS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Accounts Receivable**

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Balances still outstanding after management has used reasonable collection efforts are written off as bad debts. No valuation allowance for bad debts has been set up since all accounts receivable are thought to be collectible and write offs are generally immaterial. Students whose accounts become more than two months past due are not allowed to remain in school.

**Investments**

Investments are composed of stock holdings and mutual funds investing in debt and equity securities. Investments are carried at fair value.

**Inventories**

Inventories are valued at cost on a first-in, first-out basis.

**Property, Plant, and Equipment**

Property, plant, and equipment with an original cost of \$500 or more and useful lives of 1 or more years are capitalized. Property, plant, and equipment purchased by the School are recorded at cost. Donated assets are recorded at their fair market value at the date of donation.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets, and current depreciation expense is recognized as a cost to current operations.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the School considers all highly liquid investments available for current use, including petty cash and checking accounts, to be cash equivalents.

**Advertising and Public Relations Costs**

Advertising and promotion costs are expensed as incurred. Advertising and Public Relations expense totaled \$4,514 for the year ended May 31, 2014.

**NOTE 2 - CASH**

Cash consists of undeposited funds on hand, petty cash, and interest bearing checking accounts maintained by Orangeburg Preparatory Schools, Inc. At May 31, 2014, the carrying amount of the School's deposits was \$1,399,994 and the bank balance was \$1,433,029. Of the bank balance, \$500,000 was covered by federal depository insurance, and \$933,029 was unsecured and uncollateralized.

The School also maintained a petty cash balance of \$100 and undeposited funds of \$55,206 at May 31, 2014.

**ORANGEBURG PREPARATORY SCHOOLS, INC.  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - INVESTMENTS**

Investments as of May 31, 2014 are summarized as follows:

	<b>Cost</b>	<b>Fair Value</b>	<b>Carrying Value</b>
<b>Unrestricted:</b>			
<b>Capital Reserve Fund</b>			
Morgan Stanley:			
US Government Money Market	\$ 173,566	\$ 173,566	\$ 173,566
1120 shares Landstar Systems, Inc.	7,824	72,722	72,722
919 shares CSX Corp.	20,936	27,019	27,019
150 shares Exxon Mobil Corp.	5,908	15,080	15,080
240 shares Automatic Data Processing, Inc.	8,302	19,123	19,123
303.538 American Balanced Fund – A	4,742	7,646	7,646
1279.449 American CAP Income Builder – A	62,527	78,136	78,136
381 shares Bank of America Corp.	6,527	5,768	5,768
181 shares Accenture PLC Ireland	6,528	14,742	14,742
	<u>6,528</u>	<u>14,742</u>	<u>14,742</u>
<b>Total Capital Reserve Fund</b>	<b>\$ 296,860</b>	<b>\$ 413,802</b>	<b>\$ 413,802</b>
<b>Scholarship Fund</b>			
Morgan Stanley:			
US Government Money Market	\$ 63,047	\$ 63,047	\$ 63,047
7910.061 shares Income Fund of America, Inc.	119,510	171,490	171,490
4307.200 shares The Investment Company of America	99,535	167,507	167,507
4318.141 shares New Perspective Fund, Inc.	92,421	165,687	165,687
1462.904 shares CAP Income Builder	71,846	89,340	89,340
	<u>71,846</u>	<u>89,340</u>	<u>89,340</u>
<b>Total Scholarship Fund</b>	<b>\$ 446,359</b>	<b>\$ 657,071</b>	<b>\$ 657,071</b>
<b>Total Unrestricted</b>	<b><u>\$ 743,219</u></b>	<b><u>\$ 1,070,873</u></b>	<b><u>\$ 1,070,873</u></b>

**ORANGEBURG PREPARATORY SCHOOLS, INC.  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - INVESTMENTS (continued)**

	Cost	Fair Value	Carrying Value
<b>Temporarily and Permanently Restricted:</b>			
<b>Fine Arts Program</b>			
Morgan Stanley: Liquid Asset Fund	\$ 1,345	\$ 1,345	\$ 1,345
131.192 shares Euro-Pacific Growth Fund	5,035	6,603	6,603
236.764 shares Investment Company of America	6,995	9,208	9,208
532.283 shares American Balanced A	9,460	13,408	13,408
220.517 shares American CAP Inc Builder A	<u>11,170</u>	<u>13,467</u>	<u>13,467</u>
<b>Total Fine Arts Program</b>	<b><u>\$ 34,005</u></b>	<b><u>\$ 44,031</u></b>	<b><u>\$ 44,031</u></b>
<b>Horne Estate Investment Account</b>			
Morgan Stanley: Morgan Stanley Bank	<u>\$ 78,504</u>	<u>\$ 78,504</u>	<u>\$ 78,504</u>
<b>The Thomas Elliott Wannamaker, Jr. Scholarship Fund</b>			
Morgan Stanley: 80 shares Virginia Electric & Power, 5% Pfd.	\$ 5,240	\$ 8,506	\$ 8,506
300 shares Exelon Corp.	2,850	11,049	11,049
US Government Money Market	49	49	49
9530.926 shares Franklin Income Fund – A	18,174	24,209	24,209
1457.048 shares Franklin Utilities Fund – A	<u>14,064</u>	<u>24,333</u>	<u>24,333</u>
<b>Total Thomas Elliott Wannamaker, Jr. Scholarship Fund</b>	<b><u>\$ 40,377</u></b>	<b><u>\$ 68,146</u></b>	<b><u>\$ 68,146</u></b>
<b>The Robert Boyd Wannamaker Scholarship Fund</b>			
Morgan Stanley: 80 shares Virginia Electric & Power, 5 % Pfd.	\$ 5,240	\$ 8,506	\$ 8,506
300 shares Exelon Corp.	2,850	11,049	11,049
US Government Money Market	14	14	14
9611.704 shares Franklin Income Fund – A	19,577	24,414	24,414
1466.593 shares Franklin Utilities Fund – A	<u>15,726</u>	<u>24,492</u>	<u>24,492</u>
<b>Total Robert Boyd Wannamaker Scholarship Fund</b>	<b><u>\$ 43,407</u></b>	<b><u>\$ 68,475</u></b>	<b><u>\$ 68,475</u></b>

ORANGEBURG PREPARATORY SCHOOLS, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - INVESTMENTS (continued)

	Cost	Fair Value	Carrying Value
<b>The Angie Ray Bryant Wannamaker Scholarship Fund</b>			
Morgan Stanley: 80 shares Virginia Electric & Power, 5% Pfd.	\$ 5,240	\$ 8,506	\$ 8,506
300 shares Exelon Corp.	2,850	11,049	11,049
US Government Money Market	12	12	12
9641.381 shares Franklin Income Fund – A	18,442	24,489	24,489
1470.870 shares Franklin Utilities Fund – A	<u>14,088</u>	<u>24,564</u>	<u>24,564</u>
<b>Total Angie Ray Bryant Wannamaker Scholarship Fund</b>	<b><u>\$ 40,632</u></b>	<b><u>\$ 68,620</u></b>	<b><u>\$ 68,620</u></b>
 <b>Total Temporarily and Permanently Restricted</b>	 <b><u>\$ 236,925</u></b>	 <b><u>\$ 327,776</u></b>	 <b><u>\$ 327,776</u></b>

The following schedule summarizes the investment return and its classification in the Statement of Activities for the year ended May 31, 2014:

	Unrestricted	Temporarily Restricted	Total
Earnings on Long-Term Investments			
Interest and Dividends	\$ 34,334	\$ 9,379	\$ 43,713
Other Investment Income	74	-	74
Net Gains on Long-Term Investments			
Unrealized Gains (Losses)	<u>90,006</u>	<u>22,230</u>	<u>112,236</u>
	<b><u>\$ 124,414</u></b>	<b><u>\$ 31,609</u></b>	<b><u>\$ 156,023</u></b>

NOTE 4 - BUILDINGS, EQUIPMENT AND IMPROVEMENTS

Buildings, equipment and improvements are composed of the following amounts:

	May 31, 2014
Land Improvements	\$ 169,638
Buildings and Improvements	3,377,507
Athletic Facilities	943,392
Vehicles	406,984
Furniture, Fixtures and Equipment	1,435,595
Textbooks and Library Books	789,397
Less: Accumulated Depreciation	<u>(5,718,861)</u>
<b>Buildings, Equipment and Improvements, net</b>	<b><u>\$ 1,403,652</u></b>

**ORANGEBURG PREPARATORY SCHOOLS, INC.  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - NOTES PAYABLE**

The School has the following note payable at May 31, 2014:

	Balance May 31, 2013	Additions	Deductions	Balance May 31, 2014
Note payable – payable in monthly installments of \$7,140.55, including interest of 4.95% per annum, secured by real estate at 955 Willington Drive, Orangeburg, SC.	\$ 386,319	\$ -	\$ 67,860	\$ 318,459
Promissory note – payable in 60 monthly installments of \$1,758.68, including interest at 3.25%, secured by bus with a book value of \$92,910 at May 31, 2014	<u>91,159</u>	<u>-</u>	<u>26,002</u>	<u>65,157</u>
	<u>\$ 477,478</u>	<u>\$ -</u>	<u>\$ 93,862</u>	<u>\$ 383,616</u>

Debt principal requirements subsequent to May 31, 2014, to retirement are as follows:

Year ending May 31,	Principal	Interest	Total
2015	\$ 90,803	\$ 15,988	\$ 106,791
2016	95,061	11,730	106,791
2017	99,524	7,267	106,791
2018	88,371	2,759	91,130
2019	<u>9,857</u>	<u>41</u>	<u>9,898</u>
Total	<u>\$ 383,616</u>	<u>\$ 37,785</u>	<u>\$ 421,401</u>

**NOTE 6 - UNRESTRICTED NET ASSETS**

The Board of Directors of Orangeburg Preparatory Schools, Inc. has set self-imposed limits on certain amounts included in unrestricted net assets. Drawing from various sources, the Board has set up two “quasi-endowment” funds to benefit the school and its students. The corpus of each fund is to remain intact with earnings to be used as designated by the Board. The funds are as follow:

	Corpus	Accumulated Earnings	Total
<b>Scholarship Fund –</b>			
Earnings are to be used to provide honor grants, scholarships, awards, and tuition grants to students of Orangeburg Preparatory Schools, Inc.	\$ 364,860	\$ 302,896	\$ 667,756

ORANGEBURG PREPARATORY SCHOOLS, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - UNRESTRICTED NET ASSETS (continued)

	Corpus	Accumulated Earnings	Total
<b>Capital Reserve Fund –</b>			
Earnings are to be used to supplement the School's operating budget	\$ 261,671	\$ 152,260	\$ 413,931

The Board has also designated monies to be used for the benefit of the lower campus library and lower campus administration. These balances at May 31, 2014 were \$7,294 and \$27,629, respectively.

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

**Program Activities:**

Horne Estate – Tennis	\$ 180,598
Scholarship and Tuition Grants	175,242
Athletic Fund	10,920
Athletic Fund – Lukens	8,787
Library – Upper Campus	736
Library – Lower Campus	453
Fine Arts Program	37,632
Guidance Department	5,368
Student Activities	127,439
Fine Arts – Zeus Donation	9,421
Donations - Football	(600)
Sporting Clays	4,022
Donations – Baseball	(221)
Misc – Bank Charges	(220)
Bus Fund	11,394
Jamie's Garden	<u>3,190</u>
	<u>\$ 574,161</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose specified by donors as follow:

**Program Restrictions:**

Sporting Clays	\$ 34,264
Football	5,431
Fine Arts – Zeus Donation	1,704
Student Activities	292,403
Scholarships	5,250
Jamie's Garden	2,144
Library – Upper Campus	<u>213</u>

**Total Program Restrictions Released** \$ 341,409

**ORANGEBURG PREPARATORY SCHOOLS, INC.  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - PERMANENTLY RESTRICTED NET ASSETS**

Net assets were permanently restricted as follows at May 31, 2014:

Thomas Elliott Wannamaker, Jr. Scholarship Fund	\$ 10,000
Robert Boyd Wannamaker Scholarship Fund	10,000
Angie Ray Bryant Wannamaker Scholarship Fund	<u>10,000</u>
	<u>\$ 30,000</u>

The income from the endowments listed above is restricted for the awarding of scholarships and tuition grants to deserving students.

These donor restricted endowment funds are invested in publicly traded stocks and mutual funds. The Board has not adopted a formal investment policy for its endowment funds, which would include such matters as return objectives and risk parameters. The School typically funds \$6,000 in scholarships per year from these funds.

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, May 31, 2013	\$ 154,834	\$ 30,000	\$ 184,834
Contributions	-	-	-
Investment income	8,048	-	8,048
Net appreciation	17,610	-	17,610
Scholarships made	<u>(5,250)</u>	<u>-</u>	<u>(5,250)</u>
Endowment net assets, May 31, 2014	<u>\$ 175,242</u>	<u>\$ 30,000</u>	<u>\$ 205,242</u>

**NOTE 9 - SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION**

The cash flow statement is presented using the indirect method of reporting. Cash received (paid) for interest for the year ended May 31, 2014 was as follows:

Interest received	<u>\$ 74</u>
Interest paid	<u>\$ 20,428</u>
Income taxes paid	<u>\$ 2,144</u>

**NOTE 10 - FAIR VALUE MEASUREMENTS**

There are three major categories of financial instruments: cash, evidence of ownership interest in an entity, and a contract that requires the exchange of cash or other financial instruments (i.e.: receivables, payables). Orangeburg Preparatory Schools, Inc. estimates that the fair value of all financial instruments at May 31, 2014 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position. The estimated fair value amounts have been determined by the School using appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting the data to develop the estimates of fair value, and accordingly, the estimates are not necessarily indicative of the amounts that the School could realize in a current market exchange.

**ORANGEBURG PREPARATORY SCHOOLS, INC.  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 10 - FAIR VALUE MEASUREMENTS** (continued)

Fair values of assets measured on a recurring basis at May 31, 2014 are as follows:

**Fair Value Measurements at Reporting Date Using**

	Fair Value	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Stocks and Mutual Funds	\$ 1,398,649	\$ 1,398,649	\$ -	\$ -
Receivables – Tuition and Other	<u>56,641</u>	<u>-</u>	<u>-</u>	<u>56,641</u>
	<u>\$ 1,455,290</u>	<u>\$ 1,398,649</u>	<u>\$ -</u>	<u>\$ 56,641</u>

Level 3 fair value measurements use the cost approach.

Reconciliation of Level 3 inputs:

Beginning Balance, June 1, 2013	\$ 66,609
Gains or losses for the period (write-offs)	(19,381)
Net Change for activity during the year	9,413
Transfers in (out) of Level 3	<u>-</u>
Ending Balance, May 31, 2014	<u>\$ 56,641</u>

**NOTE 11 - LEASES**

Rental expense under all operating leases for the year ended May 31, 2014 totaled \$12,470.

In August 2011, the School began leasing 2 copier systems under a 36-month noncancelable operating lease at a cost of \$995.50 per month. The School has the option to purchase the copiers at fair market value at the end of the lease term or to continue under the same terms on a monthly basis.

In May 2012, the School began leasing a postage meter under a 39-month noncancelable operating lease at a cost of \$131 per quarter.

Future minimum lease payments under operating leases as of May 31, 2014 are:

Year ending May 31,	
2015	<u>\$ 3,511</u>

**ORANGEBURG PREPARATORY SCHOOLS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 12 - RETIREMENT PLAN CONTRIBUTIONS**

For the year ended May 31, 2014, the School contributed \$88,067 to its employee retirement plan.

**NOTE 13 - INCOME TAXES**

The School is subject to unrelated business tax on advertising income it generates through its yearbook publication. For the year ended May 31, 2014, the School generated \$2,276 in tax liability for federal and state taxes of \$1,685 and \$591, respectively.

**NOTE 14 - EVALUATION OF SUBSEQUENT EVENTS**

The School has evaluated subsequent events through September 30, 2014, the date which the financial statements were available to be issued.