

**SPARTANBURG DAY SCHOOL**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

SPARTANBURG DAY SCHOOL  
FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013

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To the Board of Trustees of  
Spartanburg Day School  
Spartanburg, South Carolina

## INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of Spartanburg Day School (a South Carolina nonprofit corporation) which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' 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 auditors' 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.

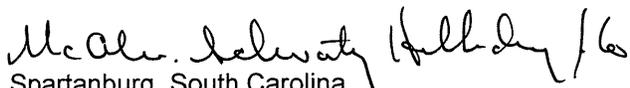
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Spartanburg Day School as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The data contained in Exhibits 1, 2, 3 and 4 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 audit of the financial statements and certain additional analysis 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.

  
Spartanburg, South Carolina  
September 5, 2014

SPARTANBURG DAY SCHOOL  
 STATEMENTS OF FINANCIAL POSITION  
 JUNE 30, 2014 AND 2013

ASSETS

	2014	2013
<b>Current Assets</b>		
Cash and cash equivalents	\$ 3,427,156	\$ 3,007,333
Accounts receivable - net of reserve of \$85,842 and \$95,636, respectively	4,581,419	4,368,908
Short-term investments	1,510,459	2,013,209
Prepaid expenses and other	91,247	110,470
Interfund receivable	17,684	5,348
Contributions receivable, current portion	142,982	171,948
	9,770,947	9,677,216
<b>Noncurrent Assets</b>		
Institutional property and equipment, net of accumulated depreciation	20,048,399	20,656,032
Investments	9,284,099	8,237,511
Contributions receivable, net of current portion	-	66,228
	29,332,498	28,959,771
<b>Total Assets</b>	\$ 39,103,445	\$ 38,636,987

SPARTANBURG DAY SCHOOL  
STATEMENTS OF FINANCIAL POSITION - CONTINUED  
JUNE 30, 2014 AND 2013

LIABILITIES AND NET ASSETS

	2014	2013
Current Liabilities		
Accounts payable and accrued liabilities	\$ 784,052	\$ 618,153
Prepaid tuition and deferred income	5,818,466	6,036,203
Interfund payable	17,684	5,348
	6,620,202	6,659,704
Net Assets		
Unrestricted net assets		
Unrestricted - current fund	3,000	2,000
Net investment in institutional property and equipment	20,048,400	20,656,031
Endowments	411,291	383,106
Board-designated for specific purposes	2,575,940	2,380,790
	23,038,631	23,421,927
Temporarily restricted net assets		
Restricted scholarships	42,131	65,701
Capital campaign	142,982	241,657
Parents' club	74,192	78,093
Restricted special projects	294,815	315,501
Endowment income and earnings available	2,389,398	1,503,379
	2,943,518	2,204,331
Permanently restricted net assets		
Scholarship endowments	808,037	738,324
Endowments	5,693,057	5,612,703
	6,501,094	6,351,027
	32,483,243	31,977,285
Total Liabilities and Net Assets	\$ 39,103,445	\$ 38,636,989

The accompanying notes are an integral part of these financial statements.

SPARTANBURG DAY SCHOOL  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014			2013				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues</b>								
Tuition and fees	\$ 6,207,312	\$ -	\$ -	\$ 6,207,312	\$ 6,025,412	\$ -	\$ -	\$ 6,025,412
Less - student assistance	(1,097,193)	-	-	(1,097,193)	(981,673)	-	-	(981,673)
	<u>5,110,119</u>	<u>-</u>	<u>-</u>	<u>5,110,119</u>	<u>5,043,739</u>	<u>-</u>	<u>-</u>	<u>5,043,739</u>
<b>Gifts</b>								
Investment income/realized gains on investments	1,226,285	675,427	79,167	1,980,879	1,238,590	708,478	1,793,470	3,740,538
Other income	23,952	528,574	-	552,526	21,624	221,506	-	243,130
Net assets released from restrictions	271,981	159,055	-	431,036	247,244	172,460	-	419,704
	<u>1,226,631</u>	<u>(1,297,531)</u>	<u>70,900</u>	<u>-</u>	<u>1,070,645</u>	<u>(1,292,796)</u>	<u>222,151</u>	<u>-</u>
	<u>7,858,968</u>	<u>65,525</u>	<u>150,067</u>	<u>8,074,560</u>	<u>7,621,842</u>	<u>(190,352)</u>	<u>2,015,621</u>	<u>9,447,111</u>
<b>Expenses</b>								
Instructional expenses	4,817,712	-	-	4,817,712	4,569,078	-	-	4,569,078
Administrative expenses	2,486,788	-	-	2,486,788	2,354,881	-	-	2,354,881
Depreciation expense	936,130	-	-	936,130	969,969	-	-	969,969
Other expenses	29,819	-	-	29,819	373,608	-	-	373,608
	<u>8,270,449</u>	<u>-</u>	<u>-</u>	<u>8,270,449</u>	<u>8,267,536</u>	<u>-</u>	<u>-</u>	<u>8,267,536</u>
<b>Revenues Over (Under) Expenses</b>	(411,481)	65,525	150,067	(195,889)	(645,694)	(190,352)	2,015,621	1,179,575
<b>Change in Net Unrealized Gains (Losses) on Investments</b>	28,185	673,664	-	701,849	58,675	242,133	-	300,808
<b>Increase (Decrease) in Net Assets</b>	(383,296)	739,189	150,067	505,960	(587,019)	51,781	2,015,621	1,480,383
<b>Net Assets, Beginning of Year</b>	23,421,927	2,204,329	6,351,027	31,977,283	24,008,946	2,152,548	4,335,406	30,496,900
<b>Net Assets, End of Year</b>	<u>\$ 23,038,631</u>	<u>\$ 2,943,518</u>	<u>\$ 6,501,094</u>	<u>\$ 32,483,243</u>	<u>\$ 23,421,927</u>	<u>\$ 2,204,329</u>	<u>\$ 6,351,027</u>	<u>\$ 31,977,283</u>

The accompanying notes are an integral part of these financial statements.

SPARTANBURG DAY SCHOOL  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Cash Flows Provided (Used) by Operating Activities		
Increase in net assets	\$ 505,960	\$ 1,480,383
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities		
Depreciation	936,130	969,969
Change in net unrealized losses (gains) on investments	(701,849)	(300,808)
Loss on disposal of property and equipment	13,922	373,689
(Increase) decrease in assets:		
Accounts receivable - net	(212,511)	(428,359)
Prepaid expenses and other	19,223	(13,142)
Current contributions receivable	28,966	42,324
Noncurrent contributions receivable	66,228	140,302
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	165,899	24,030
Prepaid tuition and deferred income	(217,737)	116,329
	<u>604,231</u>	<u>2,404,717</u>
Cash Flows Provided (Used) by Investing Activities		
Purchase of institutional property and equipment - net	(342,419)	(49,387)
Sale (purchase) of bonds, common stock and mutual funds - net	(344,739)	(2,453,973)
Increase in short-term investments - net	502,750	1,838,753
	<u>(184,408)</u>	<u>(664,607)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	419,823	1,740,110
Cash and Cash Equivalents, Beginning of Year	<u>3,007,333</u>	<u>1,267,223</u>
Cash and Cash Equivalents, End of Year	<u>\$ 3,427,156</u>	<u>\$ 3,007,333</u>

The accompanying notes are an integral part of these financial statements.

SPARTANBURG DAY SCHOOL  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2014 AND 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of The Spartanburg Day School (the School) is presented to assist in understanding the financial statements. The financial statements and notes are representations of the Organization's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses.

**Nature of Activities**

Spartanburg Day School is a college-preparatory, co-educational day school for students in grades pre-kindergarten through twelve. The School's mission is to shape the intellectual, physical and moral development of students in an environment that challenges, yet supports and nurtures young people. SDS strives to guide students in their quest for self-understanding, to foster an awareness of human worth and respect for all peoples, and to instill an ethic of service as members of the global community.

**Basis of Accounting**

In order to ensure observance of limitations and restrictions placed on the use of the resources available to Spartanburg Day School, the accounts of the School are maintained in accordance with the principles of fund accounting whereby resources are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives as specified by donors, in accordance with regulations, restrictions or limitations imposed by sources outside the institution or in accordance with directions issued by the Board of Trustees.

These financial statements, which are presented on the accrual basis of accounting, have been prepared in accordance with accounting principles generally accepted in the United States of America to focus on the School as a whole and to present transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classifications of fund balances and transactions into three classes of net assets - unrestricted, temporarily restricted and permanently restricted.

Note A Fund Accounting Groups

Fund Group	Net Asset Group
Unrestricted current fund	Unrestricted
Internally restricted current funds	Unrestricted
Facilities improvement funds	Unrestricted
Plant funds	Unrestricted
Parents' club fund	Temporarily restricted
Restricted scholarships	Temporarily restricted
Capital campaign fund	Temporarily restricted
Special projects fund	Temporarily restricted
Scholarship funds	Permanently and temporarily restricted
Endowment funds	Permanently restricted

SPARTANBURG DAY SCHOOL  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2014 AND 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted net assets - Unrestricted net assets consist of net assets not subject to donor-imposed restrictions.

Temporarily restricted net assets - Temporarily restricted net assets are amounts restricted by donors for (a) scholarships (b) various fundraising campaigns (c) other particular operating activities (d) use in a specified future period (e) investment for a specified term or (f) combination of the above.

Permanently restricted net assets - Permanently restricted net assets consist of amounts contributed by donors for professorships, scholarships, fine arts and general operations with the express intent that the principal be maintained in perpetuity. Donors have specified that the investment income be used for (a) scholarships (b) other particular operating activities or (c) other general expenses.

Revenues are reported as increases in unrestricted net assets unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets are reported as increases (decreases) in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. In general, endowment and endowed scholarship donors have restricted the unrealized and realized gain (loss) to be added to the corpus of the permanently restricted investments. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

**Revenue Recognition**

Substantially all of the School's revenue is derived from student tuition and fees and donations (pledges) from individuals, businesses and foundations.

Tuition, fees and donations (pledges) made by individuals, businesses and foundations are recognized as revenue over the period to which they relate. If the period extends beyond the financial statements date, tuition is recorded as deferred revenue (prepaid tuition).

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Fund considers all unrestricted highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Cash and cash equivalents include cash and interest-bearing money market accounts. At various times throughout the year, the School may have cash balances in financial institutions that exceed the amounts that are federally insured. At June 30, 2014, the book balance was \$3,427,156 and the bank balance was \$3,511,408 of which \$2,712,394 was covered by federal depository insurance, and \$510,190 was collateralized with investments held by the pledging institution's agent in the name of the School. The remaining balance of \$288,823 represents deposits which had not cleared the Federal Reserve System, therefore, the bank had not collateralized the funds.

SPARTANBURG DAY SCHOOL  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2014 AND 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

**Pledges Receivable**

When a donor has unconditionally promised to contribute funds in future periods, the pledge is recognized at fair value. Pledges expected to be collected within one year are recorded as a donation and a receivable at net realizable value, which approximates fair value. Pledges expected to be collected in future years are recorded as a donation and receivable at the present value of the expected future cash flows.

**Allowance for Doubtful Accounts**

Accounts and pledges receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through adjustments to valuation allowances based on its assessment of the current status of individual receivables. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance. The allowance for accounts receivable at June 30, 2014 and 2013, is \$85,842 and \$95,636 respectively. The allowance for pledges receivable at June 30, 2014 and 2013 is \$67,502.

**Investments**

Short-term government securities and other interest-bearing investments are carried at market value at year-end. Investments in stocks, bonds, certificates of deposits, mutual and money funds are carried at the latest available quoted market value. The excess (deficit) of the market value of stocks, bonds, certificates of deposits, mutual and money funds over their acquisition basis was \$1,416,868 and \$881,113 at June 30, 2014 and 2013, respectively. Market value compared to acquisition basis is shown for all funds combined as follows:

	2014		2013	
	Cost / Basis	Market	Cost / Basis	Market
Short-term investments:				
Certificates of deposit	\$ 1,510,460	\$ 1,510,459	\$ 2,013,209	\$ 2,013,209
	<u>1,510,460</u>	<u>1,510,459</u>	<u>2,013,209</u>	<u>2,013,209</u>
Other investments:				
Corporate and government bonds	900,357	916,403	1,618,547	1,638,546
Common/preferred/international stocks and money funds	6,966,873	8,367,696	5,737,851	6,598,965
	<u>7,867,230</u>	<u>9,284,099</u>	<u>7,356,398</u>	<u>8,237,511</u>
Total investments	<u>\$ 9,377,690</u>	<u>\$ 10,794,558</u>	<u>\$ 9,369,607</u>	<u>\$ 10,250,720</u>

Income and realized net gains (losses), net of related investment expenses of \$98,462 and \$65,693 for the years ended June 30, 2014 and 2013, respectively, on investments of endowment and similar funds are reported as follows:

As increases (decreases) in permanently restricted net assets if the terms of the gift require that they be added to the principal of a permanent endowment fund.

As increases (decreases) in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income.

As increases (decreases) in unrestricted net assets in all other cases.

SPARTANBURG DAY SCHOOL  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2014 AND 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

**Institutional Property and Equipment**

Institutional property and equipment are carried at cost, if purchased, and at fair market value at date of gift, if donated. Library books are expensed as purchased. Institutional property and equipment are depreciated on a straight-line basis over their useful lives. Depreciation provisions of \$936,130 and \$969,969 were recorded for the years ended June 30, 2014 and 2013, respectively. The School provides funding for maintenance and upkeep in accordance with the bylaws of The Seth M. Milliken Foundation, Inc. (the Foundation) which requires a provision for facilities improvement of at least 2% of the School's plant fund, as defined.

Institutional property and equipment and useful lives are as follows:

	2014	2013	Useful Lives
Land	\$ 1,489,300	\$ 1,489,300	N/A
Land improvements	2,876,864	2,907,275	10-15 years
Furniture	642,458	642,458	3-15 years
Equipment	958,605	1,028,277	3-12 years
Buildings and improvements	21,448,223	21,413,287	12-40 years
Construction in progress	214,984	-	N/A
	<u>27,630,434</u>	<u>27,480,597</u>	
Less - Accumulated depreciation	<u>(7,582,035)</u>	<u>(6,824,565)</u>	
Net institutional property and equipment	<u>\$ 20,048,399</u>	<u>\$ 20,656,032</u>	

**Other**

By resolution of the Board of Trustees of the School and in accordance with amendments to the School's bylaws:

Interest and dividend income from endowment investments is transferred to unrestricted net assets and used for operating expenses. In accordance with the donor's restrictions, the transfer is made in the year after such income is earned. Realized gains on investments is included in current year income and reflected as temporarily restricted in the accompanying statements of activities.

Income from investments included in unrestricted net assets is available for use in operations in the year after it is earned. The amounts earned were \$9,225 and \$8,528 for the years ended June 30, 2014 and 2013, respectively, and are included in unrestricted net assets.

In accordance with a formula specified in the School's bylaws, one-third of the contributions received by the annual giving fund during the three preceding fiscal years, plus the investment income earned by the fund during the prior year, may be transferred to the current fund (unrestricted net assets) to defray operating expenses during the current fiscal year. Exhibit 1 summarizes annual giving fund receipts and the earnings of the fund since 2006. Exhibit 1 also shows the actual and planned distribution of those amounts from Board-designated for specific purposes to Unrestricted – Current Fund.

The School earns interest income on delinquent account balances. This income is available for use in operations in the year after it is earned and is included in unrestricted net assets. The amounts earned were \$14,726 in 2014 and \$13,096 in 2013.

SPARTANBURG DAY SCHOOL  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2014 AND 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

**Income Taxes**

The School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and has obtained a favorable tax determination letter from the Internal Revenue Service. Accordingly, no provision for income taxes is recorded in the accompanying financial statements. Tax years 2010 - 2014 are subject to review by the various taxing authorities for three years from date filed.

**Reclassifications**

Certain 2013 balances have been reclassified to conform with the 2014 presentation.

NOTE B – FAIR VALUE MEASUREMENTS

The Organization's assets and liabilities are reported at fair value in the accompanying statements of financial position:

Fair Value Measurements at June 30, 2014 Using:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of Deposits	\$ 1,510,459	\$ 1,510,459	\$ -	\$ -
Corporate and Government Bonds	916,403	916,403	-	-
Common, Preferred, and International Stocks	8,367,696	8,367,696	-	-
Unconditional Promises to Give	142,982	-	-	142,982
<b>Total</b>	<b>\$ 10,937,540</b>	<b>\$ 10,794,558</b>	<b>\$ -</b>	<b>\$ 142,982</b>

SPARTANBURG DAY SCHOOL  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2014 AND 2013

NOTE B – FAIR VALUE MEASUREMENTS - Continued

Fair Value Measurements at June 30, 2013 Using:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of Deposits	\$ 2,013,209	\$ 2,013,209	\$ -	\$ -
Corporate and Government Bonds	1,638,546	1,638,546	-	-
Common, Preferred, and International Stocks	6,598,965	6,598,965	-	-
Unconditional Promises to Give	238,176	-	-	238,176
<b>Total</b>	<b>\$ 10,488,896</b>	<b>\$ 10,250,720</b>	<b>\$ -</b>	<b>\$ 238,176</b>

Accounting principles generally accepted in the United States of America establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. No Level 2 inputs were available to the Organization, and Level 3 inputs were only used when Level 1 and Level 2 inputs were not available.

Level 1 Fair Value Measurements

The fair values of certificates of deposits, common stocks, corporate bonds and U.S. Government securities are based on quoted market prices.

Level 3 Fair Value Measurements

Unconditional promises to give are not actively traded and significant other observable inputs are not available. Thus, the fair value for unconditional promises to give is based on outstanding pledges less allowance for uncollectable accounts of 32.1% and adjusted to present value using a discount rate of .25%. The following table provides further details of the Level 3 fair value measurements.

SPARTANBURG DAY SCHOOL  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2014 AND 2013

NOTE B – FAIR VALUE MEASUREMENTS - Continued

Fair Value Measurements Using Significant Unobservable Inputs (Level 3):	
	Unconditional Promises to Give
Balance, June 30, 2012	\$ 420,802
New pledges	20,000
Payments received	(203,103)
Bad Debt Write off	(140)
Change in present value	617
Balance, June 30, 2013	238,176
Payments received	(79,011)
Bad Debt Write off	(16,400)
Change in present value	217
Balance, June 30, 2014	\$ 142,982

The carrying amount of other assets and liabilities, including cash, accounts receivable, accounts payable and prepaid tuition approximate their fair market value due to the short term maturities of these instruments.

NOTE C - SETH M. MILLIKEN FOUNDATION, INC. GIFT

The Foundation contributes to the School, provided that the School meets specific requirements outlined in the Foundation's certificate of incorporation and bylaws, as amended. The contributions may be withheld or restricted for endowment if the requirements are not met. The Foundation waived the requirement that the School's Current Fund income equal or exceed the School's Current Fund operating expenses for the year ended June 30, 2013. The School's Current Fund deficit for the year ended June 30, 2013 was \$410,291 resulting from a transfer of its prior year fund balance in the amount of \$411,291 to the Endowment Fund. The School received unrestricted contributions of \$232,000 and \$230,000 in 2014 and 2013, which is included in unrestricted net assets.

SPARTANBURG DAY SCHOOL  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2014 AND 2013

NOTE D - SCHOLARSHIPS

Funded and unfunded scholarships, which are deducted from tuition in the accompanying statements of activities, were granted from the current fund as follows:

	<u>2014</u>	<u>2013</u>
Merit Awards		
Ben Stone Awards - Funded	\$ 8,250	\$ 8,250
Spartanburg County Foundation - Funded	6,000	6,000
Mike Johnson - Funded	7,000	7,700
Milliken Science - Partially Funded	22,500	14,426
Ben Stone Fellows - Unfunded	113,224	119,006
Headmaster - Unfunded	102,000	50,750
Parents' Club - Unfunded	12,250	12,250
College Partnerships - Unfunded	339,737	285,170
Need Based		
General Financial Aid - Unfunded	457,694	449,871
Faculty Financial Aid - Unfunded	28,538	28,250
	<u>\$ 1,097,193</u>	<u>\$ 981,673</u>

NOTE E - CONTRIBUTIONS RECEIVABLE

In fiscal year 2006, the School initiated a capital campaign. As of June 30, 2014 and 2013, net outstanding pledges total \$142,982 and \$238,176.

Unconditional contributions or pledges are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. An allowance for uncollected contributions receivable is provided based on management's judgement, including such factors as prior collection history, type of contribution and nature of fund-raising activity.

Contributions receivable at June 30, 2014 and 2013 are summarized as follows:

	<u>2014</u>	<u>2013</u>
Unconditional promises expected to be collected in :		
Less than one year	\$ 210,484	\$ 220,636
One to five years	-	85,260
	<u>210,484</u>	<u>305,896</u>
Less - reserve	(67,502)	(67,502)
Unamortized discount - .25% discount rate	-	(218)
	<u>\$ 142,982</u>	<u>\$ 238,176</u>

SPARTANBURG DAY SCHOOL  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2014 AND 2013

NOTE F - UNRESTRICTED BOARD-DESIGNATED NET ASSETS

The major components of unrestricted net assets designated by the Board of Trustees at June 30, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Annual giving fund	\$ 1,854,971	\$ 1,763,434
Facilities improvement	702,832	601,558
Investment income and finance charges	17,001	14,662
Special project fund	480	480
Unexpended plant fund	656	656
	<u>\$ 2,575,940</u>	<u>\$ 2,380,790</u>

The Annual Giving Fund represents gifts from parents, other individuals and businesses. The fund is preserved intact and held for the purpose of producing income for the School, except for allocated transfers to Unrestricted - Current Fund in accordance with a formula approved by the Board of Trustees, as required by the School's bylaws, as amended. The Facilities Improvement is used for the modernization and replacement of fixed assets, other than equipment, owned or used by the School. Investment income from Unrestricted - Current Fund net assets and finance charges is designated by the Board of Trustees for use in operations in the year after it is earned. The Special Project Fund will be used to fund projects approved by the Board of Trustees. The Unexpended Plant Fund represents transfers from the Unrestricted - Current Fund and is used for capitalized expenditures approved by the Board of Trustees.

NOTE G - NET ASSETS RELEASED FROM RESTRICTIONS

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

	<u>2014</u>	<u>2013</u>
Purpose restrictions accomplished:		
Parents' club expenses	\$ 74,851	\$ 85,377
Parents' club transfers - net	85,000	26,000
Restricted special projects expenses	164,495	138,538
Capital campaign	16,400	2,628
Restricted scholarships	559,919	621,513
	<u>900,665</u>	<u>874,056</u>
Time restrictions expired:		
Endowed scholarship investment income	36,901	42,199
Endowment investment income	289,065	154,390
	<u>325,966</u>	<u>196,589</u>
Total net assets released from restrictions	<u>\$ 1,226,631</u>	<u>\$ 1,070,645</u>

SPARTANBURG DAY SCHOOL  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2014 AND 2013

NOTE H - RETIREMENT PLAN

The School has a participant-directed vested defined contribution retirement plan managed by TIAA-CREF whereby the employer contributes an amount equivalent to five percent (5%) of an employee's base wages if the employee contributes 5%. The School contributed approximately \$182,591 and \$171,222 to this plan for the years ended June 30, 2014 and 2013, respectively.

NOTE I – ENDOWMENT

The Organization's endowment consists of 23 individual funds established for a variety of purposes. Its endowment includes permanent endowments. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Organization has interpreted the State Prudent Management of Institutional Funds Act as requiring the preservation of the amount explicitly stipulated by the donors. As a result of this interpretation, the Organization classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment (2) subsequent gifts to the endowment and (3) accumulation made pursuant to the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Endowment Net Asset Composition by Type of Fund as of June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ 411,291	\$ 2,389,401	\$ 6,501,094	\$ 9,301,786

Endowment Net Asset Composition by Type of Fund as of June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ 383,106	\$ 1,503,379	\$ 6,351,027	\$ 8,237,512

SPARTANBURG DAY SCHOOL  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2014 AND 2013

NOTE I – ENDOWMENT – Continued

Changes in Endowment Net Assets for the Year Ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net Assets, beginning of year	\$ 383,106	\$ 1,503,379	\$ 6,351,027	\$ 8,237,512
Investment income	-	88,320	-	88,320
Net appreciation (realized and unrealized)	28,185	1,123,669	-	1,151,854
Total investment return	28,185	1,211,989	-	1,240,174
New gifts	-	-	150,067	150,067
Released from restriction	-	(325,967)	-	(325,967)
Net Assets, end of year	\$ 411,291	2,389,401	\$ 6,501,094	\$ 9,301,786

Changes in Endowment Net Assets for the Year Ended June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net Assets, beginning of year	\$ (86,860)	\$ 1,234,184	\$ 4,335,406	\$ 5,482,730
Investment income	-	97,186	-	97,186
Net appreciation (realized and unrealized)	58,675	368,598	-	427,273
Total investment return	58,675	465,784	-	524,459
New gifts	411,291	-	2,015,621	2,426,912
Released from restriction	-	(196,589)	-	(196,589)
Net Assets, end of year	\$ 383,106	\$ 1,503,379	\$ 6,351,027	\$ 8,237,512

SPARTANBURG DAY SCHOOL  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2014 AND 2013

NOTE I – ENDOWMENT – Continued

From time to time, the fair value of assets associated with individual funds may fall below the level that the donor or the State Prudent Management of Institutional Funds Act requires the Organization to maintain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$0 and \$28,185 as of June 30, 2014 and 2013. These deficiencies resulted from unfavorable market fluctuations that occurred in prior years.

The Organization has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while ensuring that the purchasing power of the endowment assets do not decline over time. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the return of a balanced market index comprised of 60% S & P 500, 25% BC Int Gov't/Credit Bond Index and 15% MSCI EAFE NET Index by 1%.

To satisfy its long-term rate of return objectives, the Organization 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 Organization 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.

The Organization has several policies for appropriating distributions from its endowment funds depending on the stipulations set by the donor in each fund agreement. Several funds have a policy of appropriating distributions each year of 5 percent of its endowment fund's fair value at December 31. Four funds have a policy of appropriating for distribution the interest and dividend income earned in the prior year. This is consistent with objectives to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

For the year ending June 30, 2015, the Organization has budgeted to appropriate \$347,347 of its endowment assets to be distributed for spending. Consistent with the Organization's spending policies described above, this amount represents approximately 3.7 percent of the endowment fund's fair value at June 30, 2014.

NOTE J – LEASING ARRANGEMENTS

The Organization leases computer equipment from Apple, Inc. for \$44,206 per year payable in advance. The commitment expires November 2016.

The following is a schedule of the minimum future rental payments required under the above operating lease as of June 30, 2014.

Year Ending June 30	
2015	44,206
2016	44,206
	<u>88,412</u>

SPARTANBURG DAY SCHOOL  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2014 AND 2013

NOTE K – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 5, 2014, the date on which the financial statements were available to be issued. No items for disclosure were noted.

SPARTANBURG DAY SCHOOL  
 SUPPLEMENTARY ANALYSIS OF ANNUAL GIVING FUND  
 JUNE 30, 2014

Description	As of June 30, 2014				Currently Budgeted to be Used for			Total
	Receipts	Transferred to		Fund	Operating Expenses in Future Fiscal Years			
		In Prior Years	In Current Fund (1)		Balance	2014-15	2015-16	
<b>Annual giving drives</b>								
2005-06	524,809	-	-	-	-	-	-	-
2006-07	550,159	-	-	-	-	-	-	-
2007-08	587,604	-	-	-	-	-	-	-
2008-09	607,233	-	-	-	-	-	-	-
2009-10	674,271	-	-	-	-	-	-	-
2010-11	634,129	211,377	-	-	-	-	-	-
2011-12	896,820	298,940	298,940	298,940	-	-	-	298,940
2012-13	918,539	306,180	612,359	306,180	306,179	-	-	612,359
2013-14	909,737	-	909,737	303,246	303,246	303,245	-	909,737
2014-15 (2)	28,517	-	28,517	-	9,505	9,506	9,506	28,517
	<u>6,331,818</u>	<u>3,665,768</u>	<u>816,497</u>	<u>1,849,553</u>	<u>618,930</u>	<u>312,751</u>	<u>9,506</u>	<u>1,849,553</u>
<b>Investment income</b>								
2005-06	40,748	-	-	-	-	-	-	-
2006-07	59,838	-	-	-	-	-	-	-
2007-08	52,544	-	-	-	-	-	-	-
2008-09	17,581	-	-	-	-	-	-	-
2009-10	8,801	-	-	-	-	-	-	-
2010-11	7,872	-	-	-	-	-	-	-
2011-12	9,400	-	-	-	-	-	-	-
2012-13	6,172	6,172	-	-	-	-	-	-
2013-14	5,418	-	5,418	5,418	-	-	-	5,418
	<u>\$ 6,540,192</u>	<u>\$ 3,862,552</u>	<u>\$ 822,669</u>	<u>\$ 1,854,971</u>	<u>\$ 913,784</u>	<u>\$ 913,784</u>	<u>\$ 913,784</u>	<u>\$ 913,784</u>

(1) See Note A for explanation of the formula by which contributions and earnings of the fund are transferred to the Current Fund.

(2) This represents gifts received prior to June 30, 2014, related to the 2014 campaign year, which will end December 31, 2014.

The accompanying notes are an integral part of this exhibit.

SPARTANBURG DAY SCHOOL  
COMBINED STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2014

	Combined	Current	Annual Giving	Restricted	Endowment	Endowed Scholarship	Plant
<b>Assets</b>							
Cash and cash equivalents	\$ 3,427,156	\$ 1,952,534	\$ 892,500	\$ 163,559	\$ -	\$ -	\$ 418,563
Investments	10,794,558	-	962,471	247,579	7,726,556	1,557,543	300,409
Accounts receivable - Parents and others	4,667,261	4,667,261	-	-	-	-	-
Contributions receivable	210,484	-	-	210,484	-	-	-
Reserve for doubtful accounts	(153,344)	(85,842)	-	(67,502)	-	-	-
Unamortized discount	-	-	-	-	-	-	-
Prepaid expenses and other	91,247	91,247	-	-	-	-	-
Interfund receivable	17,684	-	-	-	17,684	-	-
Institutional property and equipment	27,630,434	-	-	-	-	-	27,630,434
Accumulated depreciation	(7,582,035)	-	-	-	-	-	(7,582,035)
	<u>\$ 39,103,445</u>	<u>\$ 6,625,200</u>	<u>\$ 1,854,971</u>	<u>\$ 554,120</u>	<u>\$ 7,744,240</u>	<u>\$ 1,557,543</u>	<u>\$ 20,767,371</u>
<b>Liabilities and Net Assets</b>							
Accounts payable and accrued liabilities	\$ 784,052	\$ 769,049	\$ -	\$ -	\$ -	\$ -	\$ 15,003
Prepaid tuition and deferred income	5,818,466	5,818,466	-	-	-	-	-
Interfund payable	17,684	17,684	-	-	-	-	-
	6,620,202	6,605,199	-	-	-	-	15,003
<b>Net Assets:</b>							
Unrestricted	23,038,631	20,001	1,854,971	-	411,291	-	20,752,368
Temporarily restricted	2,943,518	-	-	554,120	1,639,892	749,506	-
Permanently restricted	6,501,094	-	-	-	5,693,057	808,037	-
	<u>\$ 39,103,445</u>	<u>\$ 6,625,200</u>	<u>\$ 1,854,971</u>	<u>\$ 554,120</u>	<u>\$ 7,744,240</u>	<u>\$ 1,557,543</u>	<u>\$ 20,767,371</u>

The accompanying notes are an integral part of this exhibit.

SPARTANBURG DAY SCHOOL  
STATEMENTS OF CURRENT FUND INCOME AND EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	Actual 6/30/13	June 30, 2014		
		Budget (Unaudited)	Actual	Variance
<b>Current Fund Income:</b>				
Tuition Income				
Comprehensive Tuition	\$ 5,788,316	\$ 5,887,895	\$ 5,933,649	\$ 45,754
Lower School Learning Center Revenue	66,514	91,785	97,496	5,711
Middle School Learning Lab Revenue	72,304	70,050	72,774	2,724
Upper School Learning Lab Revenue	46,480	37,340	40,468	3,128
Music Fees	51,585	51,585	62,925	11,340
Learning Vistas Income	216	1,000	-	(1,000)
Less - Scholarship Expenses	(981,673)	(1,070,622)	(1,097,193)	(26,571)
	5,043,742	5,069,033	5,110,119	41,086
Annual Giving Income	744,473	822,668	822,669	1
Endowment Income	88,396	238,493	238,493	-
Endowment Income - Dent	30,888	31,697	29,501	(2,196)
Endowment Income - Prof. Development	35,105	36,559	21,071	(15,488)
Endow Scholar Earnings - Need Based	25,233	20,364	20,364	-
Endow Scholar Earnings - Merit	16,966	16,537	16,537	-
Scholar Gifts	621,513	600,322	558,531	(41,791)
Seth Milliken Fdn./Special Gifts	346,000	346,000	348,000	2,000
Investment Income and Finance Charges	11,756	14,662	14,662	-
Miscellaneous Income	247,244	276,250	271,981	(4,269)
<b>Total Income</b>	<b>7,211,316</b>	<b>7,472,585</b>	<b>7,451,928</b>	<b>(20,657)</b>
<b>Current Fund Expense</b>				
Employment Costs				
Salaries and Wages	3,807,564	3,922,603	3,911,288	11,315
Social Security Taxes	278,709	287,130	281,807	5,323
Retirement Program Costs	170,634	184,790	183,071	1,719
Group Health Insurance	328,175	382,000	384,350	(2,350)
Unemployment Compensation	4,245	13,040	6,001	7,039
Worker's Compensation Insurance	20,412	25,023	22,362	2,661
Miscellaneous Benefits	32,877	35,813	38,203	(2,390)
Faculty Scholarship Expense	406,787	403,380	399,971	3,409
	5,049,403	5,253,779	5,227,053	26,726
Non-Salary Expense				
Physical Plant	488,524	487,095	483,310	3,785
General School	488,513	428,846	459,805	(30,959)
Lower School	67,531	92,250	99,924	(7,674)
Learning Center	3,064	1,200	1,085	115
Middle School	22,230	40,900	34,637	6,263
Upper School	19,087	22,400	25,326	(2,926)
COIL	32,250	33,000	29,953	3,047
Administration	34,663	27,853	26,294	1,559

SPARTANBURG DAY SCHOOL  
STATEMENTS OF CURRENT FUND INCOME AND EXPENSES - CONTINUED  
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	Actual 6/30/13	June 30, 2014		Variance
		Budget (Unaudited)	Actual	
Non-Salary Expense - continued				
Athletic	99,689	125,421	119,316	6,105
Athletic Transportation	43,063	44,750	41,676	3,074
Development	95,538	103,055	94,644	8,411
Library	16,956	12,200	11,551	649
Middle School Learning Lab	4,330	2,815	2,840	(25)
Student Activities	35,705	38,889	40,580	(1,691)
Student Health Services	4,274	3,350	2,404	946
Aftercare	79,889	79,349	70,391	8,958
SummerScape	43,712	49,052	49,052	-
Admissions	2,769	7,875	6,714	1,161
Technology	35,099	61,763	94,509	(32,746)
Dent Art Enrichment	27,432	31,697	30,486	1,211
Art Supplies Expenses	11,803	12,000	11,467	533
Parents' Club	85,376	74,851	74,851	-
Restricted Special Projects	106,288	180,708	180,708	-
Restricted Scholarship Expense	-	1,389	1,389	-
Facilities Rentals	-	-	1,292	(1,292)
Facilities Imp. Capital Cost Expensed	5,770	57,981	57,981	-
International Baccalaureate - PYP	21,001	25,220	20,961	4,259
Leadership Institute	-	-	4,301	(4,301)
	<u>1,874,556</u>	<u>2,045,909</u>	<u>2,077,447</u>	<u>(31,538)</u>
Total Expenses	<u>6,923,959</u>	<u>7,299,688</u>	<u>7,304,500</u>	<u>(4,812)</u>
Net Surplus Before Transfers	287,357	172,897	147,428	(25,469)
Transfers:				
Facilities Improvement	(518,529)	(519,826)	(519,826)	-
Facilities improvement Capital Cost	5,770	57,981	57,981	-
Parents' Club	85,376	74,851	74,851	-
Parents' Club Technology			50,000	50,000
Restricted Special Projects	106,288	180,708	180,708	-
Special Projects Fund / COIL	32,250	33,000	29,953	(3,047)
RSPF (Technology/Leadership Institute)	-	-	(21,484)	(21,484)
Restricted Scholarship Expense	-	1,389	1,389	-
Capital Campaign Earnings	2,488		-	-
Endowment (Retained Earnings)	(411,291)		-	-
Net Surplus	<u>\$ (410,291)</u>	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ -</u>

The accompanying notes are an integral part of this exhibit.

Exhibit 4

SPARTANBURG DAY SCHOOL  
STATEMENT OF FINANCIAL POSITION - SELECTED FUNDS  
JUNE 30, 2014

	<u>Capital Campaign</u>
Assets	
Cash on Hand	<u>\$ -</u>
Pledges receivable	
Current portion	210,484
Less - Reserve for uncollected pledges	(67,502)
	<u>142,982</u>
Total Assets	<u><u>\$ 142,982</u></u>
Liabilities and Fund Balance	
Fund Balance	<u>\$ 142,982</u>
Total Liabilities and Fund Balance	<u><u>\$ 142,982</u></u>

The accompanying notes are an integral part of this exhibit.