

VIRGINIA:

IN THE CIRCUIT COURT OF AMHERST COUNTY

JOHN GREGORY BROWN, *et al.*)
)
Plaintiffs,)
)
v.) Case No. CL15009395-00
)
SWEET BRIAR INSTITUTE,)
)
Defendant.)

HAROLD G. MARTIN, JR., CPA/ABV/CFF, ASA, CFE
SUPPLEMENTAL EXPERT REPORT

I. Introduction

1. Harold G. Martin, Jr., Partner, and Keiter, Stephens, Hurst, Gary & Shreaves, P.C. (“Keiter”) were retained by the law firm of Williams Mullen, on behalf of Sweet Briar Institute (“Sweet Briar” or the “College”), to provide professional services in furtherance of Williams Mullen’s representation of Sweet Briar in connection with the litigation *John Gregory Brown, et al., v. Sweet Briar Institute*, Circuit Court, Amherst County, Virginia, Case No. CL15009395-00.

II. Assignment

2. This report (“Supplemental Report”) is provided as a supplement to my Expert Report dated May 26, 2015, and should be read in conjunction with the Expert Report. I have been requested by Williams Mullen on behalf of Sweet Briar to analyze the audited consolidated financial statements for Sweet Briar for the fiscal year ended June 31, 2014, as well as the accounting records and other supporting information, for purposes of rendering an independent and objective opinion regarding whether or not:

a. Note 12 for the financial statements for the fiscal year ended June 30, 2014, properly present the balances of net investments in land, buildings, and equipment and funds functioning as endowment.

- b. Note 15 for the financial statements for the fiscal year ended June 30, 2014, properly present the balances of the unrestricted, temporarily restricted, and permanently restricted endowment.¹
3. Further, I was also requested by Williams Mullen on behalf of Sweet Briar to analyze the special report entitled *Financial Review, February 2015* prepared by Mr. Scott Shank, Vice President for Finance and Administration of Sweet Briar College, and presented to Sweet Briar's Board of Directors, and render an independent and objective opinion regarding whether or not the projections properly present the beginning and ending values of the unrestricted net assets for the fiscal year ended June 30, 2015, as well as the beginning and ending values of the unrestricted net assets for each of the two options presented for the fiscal year ended June 30, 2016.
4. Given the purpose of my prior Expert Report dated May 26, 2015 (which was to render an opinion regarding the financial condition and future viability as a going concern of Sweet Briar as of February 28, 2015, the date of a resolution adopted by the Board of Directors to close the College by permanently terminating all academic operations effective as of August 25, 2015), I did not consider the adjustments discussed in this Supplemental Report in reaching the opinion expressed in my Expert Report as these adjustments would not have been known by or reasonably knowable to the Board at the time of their decision.

III. Summary of Opinions

5. Based on my professional experience and educational background, as well as the scope of work I have performed in connection with this matter as described elsewhere in this Supplemental Report, it is my professional opinion, to a reasonable degree of certainty, that:
 - a. **Note 12: Unrestricted Net assets** - The amount of unrestricted net investments in land, buildings, and equipment as stated in Note 12 for the financial statements

¹ In performing my analysis, I also analyzed Note 11 for the financial statements for the fiscal years ended June 30, 2010 and 2011 (which discussed the same subject matter as Note 12 in subsequent years), and Note 12 for the financial statements for the fiscal years ended June 30, 2012 and 2013. I also analyzed Note 14 for the financial statements for the fiscal years ended June 30, 2010 and 2011 (which discussed the same subject matter as Note 15 in subsequent years), and Note 15 for the financial statements for the fiscal years ended June 30, 2012 and 2013. I considered this five year period, from fiscal 2010 to 2014, for purposes of assessing the financial results and trends I examined in my Expert Report.

for the fiscal year ended June 30, 2014, was understated. Further, this resulted in a corresponding overstatement of the amount of unrestricted funds functioning as endowment for this same period. For the fiscal year ended June 30, 2014, the unrestricted net investments in land, buildings, and equipment was understated by \$17,514,042 and the unrestricted funds functioning as endowment were overstated by this same amount.

- b. **Note 15: Endowment (unrestricted endowment)** - As result of the aforementioned adjustment, the amount of the unrestricted endowment as presented in Note 15 of the financial statements for the fiscal year ended June 30, 2014, was also overstated by \$17,514,042.
- c. **Note 15: Endowment (board-designated, temporarily restricted endowment funds)** - Further, the amount of the board-designated, temporarily restricted endowment funds as presented in Note 15 for the financial statements for the fiscal year ended June 30, 2014, was understated by \$7,601,131.
- d. **Note 15: Endowment (total)** - After restating Note 15 for the financial statements to reflect the aforementioned adjustments for the fiscal year ended June 30, 2014, Sweet Briar's unrestricted endowment declined from \$28,608,602 to \$11,094,560, the temporarily restricted endowment increased from \$12,973,516 to \$20,574,647, the permanently restricted endowment remained unchanged at \$54,367,027. and the total endowment declined from \$95,949,145 to \$86,036,234.
- e. **Projected Funds Available to Fund Operations** - With respect to the financial projections, after making the adjustment to reduce the amount of unrestricted funds functioning as endowment, the amount of the unrestricted net assets available for operations (excluding land, building, and equipment) declined to \$17,274,340 as of June 30, 2014. The projected ending value of unrestricted net assets available for operations declined to \$10,916,737 as of June 30, 2015. Under Option 1 (which assumes the College closed on June 30, 2015), the projected ending value of unrestricted net assets available for operations declined to \$396,510 as of June 30, 2016. Under Option 2 (which assumes the College remained open), the projected ending value of unrestricted net assets available for operations declined to a deficit of \$15,117,295 as of June 30, 2016.

- 6. Based on the scope of work we completed as discussed elsewhere in this report, I am not

aware of any material modifications that should be made to the Consolidated Statements of Financial Position, Consolidated Statements of Activities, or the Consolidated Statements of Cash Flows for the fiscal years ended June 31, 2010 to 2014.

7. Given the results of my analysis, the amount of unrestricted net assets available to fund operations as of the fiscal year ended June 30, 2014, and for the projected fiscal year ended June 30, 2015, was actually less than the amount the Board thought was available at the time it made its decision to close Sweet Briar. In other words, the College was in worse financial shape than it was thought to be at the time the Board made its decision, and, in hindsight, this simply provides additional support that the Board, using its business judgment, made the appropriate decision to close the college as it could not continue to operate as a viable going concern.

IV. Scope of Keiter's Work

8. My work has been performed in accordance with the American Institute of Certified Public Accountants' ("AICPA") *Code of Professional Conduct*² and *Statements on Standards for Consulting Services* ("SSCS").³
9. Keiter was not retained to perform an audit, review, or compilation in the capacity of certified public accountants under the standards promulgated by AICPA or any other accounting regulatory body or agency. Had Keiter performed additional procedures, other matters might have come to our attention that we would have reported to you. However, even had Keiter performed such additional procedures, I do not believe that my findings and my opinion regarding the financial condition and viability of the College as a going concern as presented in my Expert Report and this Supplemental Report would have materially changed.

V. Documents Relied Upon / Information Reviewed

10. The information which I have reviewed and the documents upon which I have relied for purposes of my Supplemental Report were presented in Appendix B of my Expert Report. I reserve the right to amend and supplement my report in the event that additional, relevant information is produced which may affect my conclusions.

² *American Institute of Certified Public Accountants Code of Professional Conduct* (New York: American Institute of Certified Public Accountants, 2008).

³ *American Institute of Certified Public Accountants Statements on Standards for Consulting Services* (New York: American Institute of Certified Public Accountants, 2004).

VI. Unrestricted Net Assets (Note 12)

11. For purposes of my analysis, I used excerpts of the financial statements and accompanying notes as presented in Sweet Briar's Consolidated Financial Statements of Financial Position for the fiscal year ended June 30, 2014, to illustrate the calculation of the required adjustments. However, as previously discussed, I performed this analysis for each of the five years, from fiscal 2010 to 2014, for purposes of assessing the financial results and trends I examined in my original Expert Report.
12. Sweet Briar's Consolidated Financial Statements of Financial Position for the fiscal year ended June 30, 2014, is presented in Exhibit VI.1.

Exhibit VI.1

SWEET BRIAR INSTITUTE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2014 AND 2013

	<u>2014</u>
ASSETS	
Cash and cash equivalents	\$ 2,205,731
Accounts receivable, less allowance of \$237,520 in 2014 and \$157,520 in 2013	545,899
Loans to students, less allowance of \$125,000 in 2014 and \$195,000 in 2013	2,077,447
Dividends and interest receivable	1,024
Contributions receivable	1,679,590
Pledges receivable, net	3,802,005
Inventories	128,371
Prepaid expenses and deferred charges	193,882
Investments	88,007,199
Beneficial interest in perpetual trusts	8,010,929
Assets restricted to investment in land, buildings, and equipment	-
Land, buildings, and equipment, net of accumulated depreciation	67,103,388
Deferred bond issuance costs, net	<u>288,426</u>
Total Assets	\$ 163,923,890
LIABILITIES AND NET ASSETS	
Liabilities:	
Accounts payable and other payables	\$ 1,173,952
Accrued interest	271,502
Deposits and advance fees	582,275
U.S. Government grants refundable	1,099,707
Annuity obligations	534,610
Asset retirement obligation	61,632
Capital lease obligation	-
Bonds payable	<u>25,857,399</u>
Total Liabilities	29,560,967
Net Assets:	
Unrestricted	48,787,509
Unrestricted, non-controlling interest in SBC Restoration Lessee LLC	1,335
Temporarily restricted	21,028,984
Permanently restricted	<u>64,525,075</u>
Total Net Assets	134,342,903
Total Liabilities and Net Assets	\$ 163,923,890

13. Note 12 to Sweet Briar's Consolidated Financial Statements for the fiscal year ended June 30, 2014, presents the unrestricted net assets and other changes in unrestricted net assets (see Exhibit VI.2).

Exhibit VI.2

Note 12—Unrestricted net assets and other changes in unrestricted net assets

Unrestricted net assets at June 30, 2014 and 2013, consist of the following:

	2014
Losses on underwater perpetual endowment funds	\$ (8,688,291)
Other gifts and income	403,896
Designated for scholarships	255,688
Designated for contingency and research and divisional support	4,898,000
Funds functioning as endowment	35,296,893
Net investment in land, buildings, and equipment	14,000,462
Student loan funds	624,417
	\$ 48,788,844

14. Unrestricted net investments in land, buildings, and equipment is calculated as the difference between: 1) total investment in land, building, and equipment (net of accumulated depreciation), and 2) debt related to land, building, and equipment. Exhibit VI.3 presents this calculation.

Exhibit VI.3

Sweet Briar

Calculation of Unrestricted Net Investment in Land, Building, and Equipment Fiscal 2010 to 2014

	06/30/10	06/30/11	06/30/12	06/30/13	06/30/14
Investment in land, building, and equipment					
Land, buildings, and equipment, net	\$57,823,284	\$55,928,081	\$54,295,113	\$55,234,421	\$57,103,388
Deferred bond issue costs	489,787	444,132	297,750	283,088	268,425
Funds held by trustee under bond indenture	12,384,543	2,686,899	0	0	0
Total investment in land, building, and equipment	70,697,614	59,059,112	54,592,863	55,517,509	57,371,813
Debt related to land, building, and equipment					
Bonds payable	42,355,146	31,932,572	27,865,216	26,777,955	25,857,309
Capital lease obligations	444,383	341,648	233,539	119,772	0
Total debt related to land, building, and equipment	42,799,529	32,274,220	27,898,755	26,897,727	25,857,309
Net investment in land, building, and equipment - adjusted	\$27,898,085	\$26,784,892	\$26,694,108	\$28,619,782	\$31,514,504

15. As is evident in Exhibit VI.3, the amount of net investment in land building, and equipment for the fiscal year ended June 30, 2014 is \$31,514,504. However, as indicated

in Exhibit VI.2, the amount for this same line item was presented in Note 12 as \$14,000,462, or an understatement of \$17,514,042.

16. As a result of the aforementioned understatement, there was a corresponding overstatement of this same amount for the line item funds functioning as endowment presented in Note 12. Exhibit VI.4 presents the calculation of the adjusted amounts for each of these two line items: 1) net investment in land building, and equipment, and 2) funds functioning as endowment.

Exhibit VI.4
Sweet Briar
Note 12 to the Financial Statements
Restatement of Unrestricted Net Investment in Land, Building, and
Equipment and Funds Functioning as Endowment
Fiscal 2010 to 2014

	06/30/10	06/30/11	06/30/12	06/30/13	06/30/14
Net investment in land, buildings, and equipment as stated in Note 12	15,833,901	13,444,279	11,548,310	12,375,118	14,000,462
<i>Adjustment to reclassify "funds functioning as endowment" to net investment in land, building, and equipment</i>	12,264,184	13,340,613	15,145,798	16,244,664	17,514,042
Net investment in land, building, and equipment - adjusted	\$27,898,085	\$26,784,892	\$26,694,108	\$28,619,782	\$31,514,504
Funds functioning as endowment as stated in Note 12	26,852,760	36,049,820	25,979,679	27,580,233	35,296,893
<i>Adjustment to reclassify "funds functioning as endowment" to "net investment in land, building, and equipment"</i>	<i>(12,264,184)</i>	<i>(13,340,613)</i>	<i>(15,145,798)</i>	<i>(16,244,664)</i>	<i>(17,514,042)</i>
Funds functioning as endowment - adjusted	\$14,588,576	\$22,709,207	\$10,833,881	\$11,335,569	\$17,782,851

VII. Endowment (Note 15)

17. Note 15 to Sweet Briar's Consolidated Financial Statements for the fiscal year ended June 30, 2014, presents the endowment and the three categories of endowment: unrestricted endowment, temporarily restricted endowment, and permanently restricted endowment (see Exhibit VII.1).

Exhibit VII.1

Note 15—Endowment (continued)

in accordance with UPMIFA, the Institute 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 Institute 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. The investment policies of the Institute
7. Other resources of the Institute

Endowment net assets consist of the following at June 30, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ (8,888,291)	\$ 8,973,943	\$ 54,367,027	\$ 56,652,679
Board-designated endowment funds	35,296,893	3,999,573	-	39,296,466
	\$ 28,608,602	\$ 12,973,516	\$ 54,367,027	\$ 95,949,145

18. Total Endowment - Based on our analysis of the College's internal accounting records, the Prime Buchholz, "Sweet Briar College Endowment Preliminary Executive Summary," as of June 30, 2014, and discussions with Mr. Scott Shank, Vice President for Finance and Administration of Sweet Briar College, we determined that the total endowment funds presented in Note 15 for the audited financial statements for the fiscal year ended June 30, 2014, \$95,949,145, was overstated by \$9,912,911, resulting in an adjusted total of \$86,036,234.⁴
19. Unrestricted Endowment - As a result of the required adjustment identified to the funds functioning as endowment in Note 12 in the amount of \$17,514,042, the amount of the unrestricted endowment as presented in Note 15, \$28,608,602, must also be reduced by \$17,514,042, resulting in a restated balance of \$11,094,560 for the fiscal year ended June 30, 2014.
20. Temporarily Restricted Endowment Funds -Based upon analysis of the balance of the total endowment, as well as the three different categories of endowment, the amount of the board-designated, temporarily restricted endowment funds as presented in Note 15, \$12,973,516, was understated \$7,601,131, resulting in a restated balance of \$20,574,647

⁴ Prime Buchholz, "Sweet Briar College Endowment Preliminary Executive Summary," as of June 30, 2014, 23. The amount calculated from the Prime Buchholz statement was \$86,052,609 (the total fund amount, \$94,070,323, less the amount in the Carrington Trust, \$8,017,714). The balance as presented in the Sweet Briar internal accounting records was \$86,036,234. The difference is attributable by management to timing differences and is considered immaterial.

for the fiscal year ended June 30, 2014. Exhibit VII.2 presents the calculation of the restated amount for this fund.⁵

Exhibit VII.2
Sweet Briar
Note 15 to the Financial Statements
Restatement of Temporarily Restricted Endowment
Fiscal 2010 to 2014

	06/30/10 \$	06/30/11 \$	06/30/12 \$	06/30/13 \$	06/30/14 \$	Reference
Total endowment	\$75,838,734	\$86,492,211	\$77,529,985	\$80,546,031	\$86,036,234	
Less: Unrestricted endowment - adjusted	(3,940,579)	(15,131,998)	(467,745)	(2,395,360)	(11,094,560)	¶ 18
Less: Permanently restricted endowment per audited financial statements	(50,903,972)	(51,288,385)	(51,626,648)	(53,489,260)	(54,367,027)	Ex. VII.1
Temporarily restricted endowment - adjusted	20,994,183	20,071,828	25,435,592	24,861,411	20,574,647	
Less: Donor-designated temporarily restricted endowment per audited financial statements	(12,803,221)	(9,815,257)	(12,474,650)	(11,060,276)	(8,973,943)	Ex. VII.1
Less: Board-designated temporarily restricted endowment per audited financial statements	(5,557,998)	(6,631,592)	(6,860,809)	(6,866,246)	(3,999,573)	Ex. VII.1
Adjustment to temporarily restricted endowment	\$2,832,964	\$3,624,979	\$6,100,133	\$6,734,889	\$7,601,131	

21. Permanently Restricted Endowment - I did not identify any required changes to the permanently restricted endowment and, therefore, this balance remained \$54,367,027 for the fiscal year ended June 30, 2014.
22. Restatement of Unrestricted, Temporarily Restricted, and Permanently Restricted Endowment - Exhibit VII.3 presents the adjusted unrestricted, temporarily restricted, permanently restricted, and total endowment for the fiscal year ended June 30, 2014. After restating the unrestricted endowment and the temporarily restricted endowment to reflect the adjustments previously discussed, as of June 30, 2014, Sweet Briar's unrestricted endowment declined to \$11,094,560, and, as previously discussed, the total endowment declined to \$86,036,234.

⁵ It should be noted that this adjustment to the temporarily restricted endowment does not affect our analysis of projected funds available for operations discussed elsewhere in this report.

Exhibit VII.3
Sweet Briar
Note 15 to the Financial Statements
Restatement of Unrestricted, Temporarily Restricted, and Permanently Restricted Endowment
Fiscal 2010 to 2014

	06/30/10 \$	06/30/11 \$	06/30/12 \$	06/30/13 \$	06/30/14 \$
Endowment					
Unrestricted endowment					
Donor-designated unrestricted	(\$10,647,997)	(\$7,577,209)	(\$10,366,136)	(\$6,940,208)	(\$6,688,291)
Board-designated unrestricted	26,852,760	36,049,820	25,979,679	27,580,232	35,296,893
Adjustment	(12,264,184)	(13,340,613)	(15,145,798)	(16,244,664)	(17,514,042)
Total unrestricted endowment - adjusted	3,940,579	15,131,998	467,745	2,395,360	11,094,560
Temporarily restricted endowment					
Donor-designated temporarily restricted	12,603,221	9,815,257	12,474,650	11,060,276	8,973,943
Board-designated temporarily restricted	5,557,998	6,631,592	6,860,809	6,866,246	3,999,573
Adjustment	2,832,964	3,624,979	6,100,133	6,734,889	7,601,131
Total temporarily restricted endowment - adjusted	20,994,183	20,071,828	25,435,592	24,861,411	20,574,647
Permanently restricted endowment					
Donor-designated permanently restricted	50,903,972	51,288,385	51,626,648	53,489,260	54,367,027
Total permanently restricted endowment	50,903,972	51,288,385	51,626,648	53,489,260	54,367,027
Total endowment	85,269,954	96,207,845	86,575,650	90,055,806	95,949,145
Less: total adjustments	(9,431,220)	(9,715,634)	(9,045,665)	(9,509,775)	(9,912,911)
Total endowment - adjusted	\$75,838,734	\$86,492,211	\$77,529,985	\$80,546,031	\$86,036,234
Growth %		0.140	(0.104)	0.039	0.068

VIII. Projected Funds Available to Fund Operations

23. As discussed in Sections VI and VII, I made adjustments to the historical financial statements to restate the balances of: 1) net land, building, and equipment; 2) unrestricted endowment; and 3) temporarily restricted endowment. Based upon the adjustments to net land, building, and equipment and the unrestricted endowment, I calculated an adjusted beginning value of unrestricted net assets that were available to support operations. Exhibit VIII.1 presents this calculation.

Exhibit VIII.1
Sweet Briar
Adjusted Unrestricted Net Assets
June 30, 2014

	06/30/14 (1) \$	Reclassification Entries \$	06/30/14 \$
Unrestricted net assets			
Losses on underwater perpetual endowment funds	(\$6,688,291)		(\$6,688,291)
Other gifts and income	403,695		403,695
Designated for scholarships	255,668		255,668
Designated for contingency and research and divisional support	4,896,000		4,896,000
Funds functioning as endowment	35,296,893	(\$17,514,042)	17,782,851
Net investment in land, buildings, and equipment	14,000,462	17,514,042	31,514,504
Student loan funds	624,417		624,417
Total unrestricted net assets	\$48,788,844	\$0	\$48,788,844
Less: Net investment in land, buildings, and equipment			(31,514,504)
Net funds available for operations			\$17,274,340

24. In calculating the adjusted beginning value of unrestricted net assets available for operations, I considered all of the unrestricted net assets presented in Note 12 of the financial statements for the fiscal year ended June 30, 2014, and adjusted the balances of funds functioning as endowment (unrestricted endowment) and net investment in land, buildings, and equipment based upon the adjustments previously discussed. I then eliminated the net investment in land, buildings, and equipments as these represent illiquid assets that would not be readily available to support operations. This resulted in an adjusted beginning value of unrestricted assets available to support operations of \$17,274,340.
25. Exhibits VIII.2 to VIII.4 present the same analysis as presented in Exhibits XIV.B.1 to XIV.B.3 in my Expert Report, but utilize the adjusted beginning value of unrestricted net assets that were available to support operations. All other assumptions are consistent with the analysis presented in my Expert Report. Exhibit VIII.2 presents the ending value of the unrestricted net assets available to fund operations at June 30, 2015, of \$10,916,737.

Exhibit VIII.2
Sweet Briar
Adjusted Projected Unrestricted Net Assets
Fiscal 2015

	SBC Presentation FYE 06/30/15 \$	Adjustments and Reclassification Entries \$	Keiter Presentation FYE 06/30/15 \$
Beginning Value of Unrestricted Net Assets	\$24,682,280	(\$7,407,940)	\$17,274,340
Gifts	18,207		18,207
Transfers	-		-
Draw for operations - \$6.4 million	(1,952,337)	1,952,337	-
Draw for debt service	(1,097,000)	-	(1,097,000)
Draw for strategic investment	(1,035,891)	-	(1,035,891)
Draw to balance budget	(2,046,037)	(6,400,000)	(8,446,037)
Investment returns	-	4,447,663	4,447,663
Series 2011 Default Payoff	-	-	-
Series 2006 Default Payoff	-	-	-
Market changes	(244,545)		(244,545)
Ending Value of Unrestricted Net Assets	<u>\$18,324,677</u>	<u>(\$7,407,940)</u>	<u>\$10,916,737</u>

26. As with my Expert Report, I have presented the two alternative projections that were included in the *Financial Review, February 2015*, restated to reflect the adjustments identified in my Supplemental Report:

Option 1 - College closes on June 30, 2015

Option 2 – College remains open, no first-year class, 300 students return

27. Option 1 – College Closes on June 30, 2015 - Assuming the College were to be closed on June 30, 2015, at the end of fiscal 2016, the ending balance of the adjusted unrestricted net assets available to fund operations was projected to be \$396,510 (see Exhibit VIII.3).

Exhibit VIII.3
Sweet Briar
Adjusted Projected Unrestricted Net Assets
Option 1: Close on June 30, 2015
Fiscal 2016

	SBC Presentation FYE 06/30/16 \$	Adjustments and Reclassification Entries \$	Keiter Presentation FYE 06/30/16 \$
Beginning Value of Unrestricted Net Assets	\$18,324,677		\$10,916,737
Gifts	-		-
Transfers	-		-
Draw for operations - \$6.4 million	-	-	-
Draw for debt service	(1,673,271)	-	(1,673,271)
Draw for strategic investment	-	-	-
Draw to balance budget	-	-	-
Investment returns	-	-	-
Series 2011 Default Payoff	(8,846,956)	-	(8,846,956)
Series 2006 Default Payoff	-	-	-
Market changes	-		-
Ending Value of Unrestricted Net Assets	\$7,804,450		\$396,510

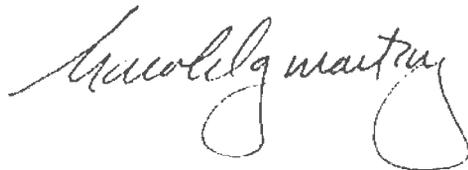
28. Option 2 - College Remains Open, No First-Year Class, 300 Students Return - Assuming the College were to remain open during the academic year 2015/2016, there was no first-year class, and 300 upperclassmen return, at the end of fiscal 2016, the ending balance of the adjusted unrestricted net assets available to fund operations was projected to be a deficit of \$15,117,295 (see Exhibit VIII.4). This option was prepared based upon the premise that it would be unethical to recruit a new First-Year class when the prospects of their graduating from the College were considered to be unlikely.

Exhibit VIII.4
Sweet Briar
Adjusted Projected Unrestricted Net Assets
Option 2: Remain Open, No First Year Class, 300 Students Return
Fiscal 2016

	SBC Presentation FYE 06/30/16 \$	Adjustments and Reclassification Entries \$	Keiter Presentation FYE 06/30/16 \$
Beginning Value of Unrestricted Net Assets	\$18,324,677		\$10,916,737
Gifts	-		-
Transfers	-		-
Draw for operations - \$6.4 million	(1,929,711)	1,929,711	-
Draw for debt service	(1,386,838)	-	(1,386,838)
Draw for strategic investment	-	-	-
Draw to balance budget	(13,870,527)	(6,400,000)	(20,270,527)
Investment returns	-	4,470,289	4,470,289
Series 2011 Default Payoff	(8,846,956)	-	(8,846,956)
Series 2006 Default Payoff	-	-	-
Market changes	-		-
Ending Value of Unrestricted Net Assets	(\$7,709,355)		(\$15,117,295)

29. Based on the financial projections presented in the *Financial Review, February 2015*, and the adjustments to net investment in land, building, and equipment and the unrestricted endowment, the College's adjusted unrestricted net assets available to fund operations were projected to decline to \$10.9 million by the end of fiscal 2015. Assuming the College was to remain open as presented in Option 2, these adjusted assets would have further declined to a deficit of \$15.1 million. Consequently, there would have been insufficient unrestricted net assets available to fund operations and the College could not have continued as a viable going concern.

Respectfully submitted, this the 29th day of May 2015.



By:

Harold G. Martin, Jr., CPA/ABV/CFF, ASA, CFE
Partner, Valuation and Forensic Services
Keiter, Stephens, Hurst, Gary & Shreaves, P.C.