



**SOUTHERN CENTER FOR
INTERNATIONAL STUDIES, INC.**

**REPORT ON AUDITS OF
FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED
JUNE 30, 2014 AND 2013**

THE SOUTHERN CENTER FOR INTERNATIONAL STUDIES, INC.
INDEX TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
The Southern Center for International Studies, Inc.

We have audited the accompanying financial statements of the Southern Center for International Studies, Inc. (the "Center"), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of 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***Prior Period Adjustment***

As discussed in Note 12 to the financial statements, the Center discovered that a prior year asset and liability for executive deferred compensation was not properly recorded. The effect of the restatement was to increase assets and liabilities by \$143,450 as of June 30, 2013.

DATE

THE SOUTHERN CENTER FOR INTERNATIONAL STUDIES, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2014 AND 2013

ASSETS

	<u>2014</u>	<u>2013</u>
Cash	\$ 3,899	\$ 493,012
Pledge receivable, net	206,675	334,150
Investments - executive deferred compensation	251,841	143,450
Investments - other	1,233,452	-
Prepaid expenses	1,853	-
Other assets	415	900
Equipment, net of accumulated depreciation of \$13,410 and \$5,723 at June 30, 2014 and 2013, respectively	43,128	28,634
Program materials, net	357,077	407,307
Trust life interest	-	497,789
	<hr/>	<hr/>
Total assets	<u>\$ 2,098,340</u>	<u>\$ 1,905,242</u>

LIABILITIES AND NET ASSETS

	<u>2014</u>	<u>2013</u>
Accounts payable to officers	\$ 1,141	\$ 842
Accounts payable and accrued expenses	36,441	66,703
Deferred revenue	-	27,869
Loans from officers	-	58,516
Executive deferred compensation plan	251,841	143,450
	<hr/>	<hr/>
Total liabilities	289,423	297,380
	<hr/>	<hr/>
NET ASSETS		
Unrestricted net assets	1,570,648	744,329
Temporarily restricted net assets	212,269	837,533
Permanently restricted net assets	26,000	26,000
	<hr/>	<hr/>
Total net assets	1,808,917	1,607,862
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Total liabilities and net assets	<u>\$ 2,098,340</u>	<u>\$ 1,905,242</u>

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

THE SOUTHERN CENTER FOR INTERNATIONAL STUDIES, INC.
STATEMENT OF ACTIVITIES AND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT, REVENUES, AND GAINS:				
Contributions	\$ 1,084,322	\$ 63,000	\$ -	\$ 1,147,322
Investment income	27,500	-	-	27,500
Other income	4,859	-	-	4,859
Net assets released from restrictions	<u>688,264</u>	<u>(688,264)</u>	<u>-</u>	<u>-</u>
Total support, revenues, and gains	<u>1,804,945</u>	<u>(625,264)</u>	<u>-</u>	<u>1,179,681</u>
EXPENSES:				
Programs:				
UGA archive project	259,556	-	-	259,556
Secretaries of Defense XVI	75,517	-	-	75,517
Secretaries of State XVI	100,905	-	-	100,905
Other programs	<u>180,199</u>	<u>-</u>	<u>-</u>	<u>180,199</u>
Total program expenses	616,177	-	-	616,177
General and administrative	244,826	-	-	244,826
Fundraising	<u>117,623</u>	<u>-</u>	<u>-</u>	<u>117,623</u>
Total expenses	<u>978,626</u>	<u>-</u>	<u>-</u>	<u>978,626</u>
INCREASE (DECREASE) IN NET ASSETS	826,319	(625,264)	-	201,055
NET ASSETS				
Beginning of year	<u>744,329</u>	<u>837,533</u>	<u>26,000</u>	<u>1,607,862</u>
NET ASSETS				
End of year	<u>\$1,570,648</u>	<u>\$ 212,269</u>	<u>\$ 26,000</u>	<u>\$ 1,808,917</u>

The accompanying notes to financial statements
are an integral part of this statement.

THE SOUTHERN CENTER FOR INTERNATIONAL STUDIES, INC.
STATEMENT OF ACTIVITIES AND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT, REVENUES, AND GAINS:				
Contributions	\$ 1,373,689	\$ 142,007	\$ -	\$ 1,515,696
In-kind contributions	11,598	-	-	11,598
Other income	51,411	-	-	51,411
Change in value of split-interest agreement	-	(4,706)	-	(4,706)
Net assets released from restrictions	<u>337,850</u>	<u>(337,850)</u>	<u>-</u>	<u>-</u>
Total support, revenues, and gains	<u>1,774,548</u>	<u>(200,549)</u>	<u>-</u>	<u>1,573,999</u>
EXPENSES:				
Programs:				
UGA archive project	154,637	-	-	154,637
Secretaries of Defense XVI	320,706	-	-	320,706
Other programs	<u>62,810</u>	<u>-</u>	<u>-</u>	<u>62,810</u>
Total program expenses	538,153	-	-	538,153
General and administrative	163,395	-	-	163,395
Fundraising	<u>59,094</u>	<u>-</u>	<u>-</u>	<u>59,094</u>
Total expenses	<u>760,642</u>	<u>-</u>	<u>-</u>	<u>760,642</u>
INCREASE (DECREASE) IN NET ASSETS	1,013,906	(200,549)	-	813,357
NET ASSETS				
Beginning of year	<u>(269,577)</u>	<u>1,038,082</u>	<u>26,000</u>	<u>794,505</u>
NET ASSETS				
End of year	<u>\$ 744,329</u>	<u>\$ 837,533</u>	<u>\$ 26,000</u>	<u>\$ 1,607,862</u>

The accompanying notes to financial statements
are an integral part of this statement.

THE SOUTHERN CENTER FOR INTERNATIONAL STUDIES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 201,055	\$ 813,357
Adjustments to reconcile changes in net assets to net cash provided by (used in) by operations:		
Depreciation	7,687	4,558
Change in value of split-interest agreement	-	4,706
Net unrealized/realized gain on investments	(19,798)	-
Change in pledge receivable	127,475	135,899
Change in prepaid expenses	(1,853)	-
Change in other assets	485	1,093
Change in accrued income	-	26,452
Change in program materials	50,230	50,711
Change in trust life interest	497,789	-
Change in accounts payable to officers	299	(38,299)
Change in accounts payable and accrued expenses	(30,262)	(142,504)
Change in deferred revenue	(27,869)	27,869
Change in executive deferred compensation plan	108,391	-
Total adjustments	<u>712,574</u>	<u>70,485</u>
Net cash provided by operating activities	<u>913,629</u>	<u>883,842</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(1,744,332)	-
Sales of investments	422,287	-
Purchases of property and equipment	<u>(22,181)</u>	<u>(22,216)</u>
Net cash used in investing activities	<u>(1,344,226)</u>	<u>(22,216)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on loans made by officers to the Center	<u>(58,516)</u>	<u>(368,614)</u>
Net cash used in financing activities	<u>(58,516)</u>	<u>(368,614)</u>
NET INCREASE (DECREASE) IN CASH	(489,113)	493,012
CASH		
Beginning of year	<u>493,012</u>	<u>-</u>
CASH		
End of year	<u><u>\$ 3,899</u></u>	<u><u>\$ 493,012</u></u>

THE SOUTHERN CENTER FOR INTERNATIONAL STUDIES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Southern Center for International Studies, Inc. (the "Center") is an educational organization that conducts programs and produces educational materials related to international and public affairs. The Center's activities are primarily funded through contributions.

B. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support and revenues and expenses during the reporting period. Actual results could differ from those estimates.

C. The Center classifies net assets, revenues, expenses, gains and losses based on the existence or absence of donor-imposed restrictions using three classifications: unrestricted, temporarily restricted and permanently restricted. These three classifications are defined as follows:

Unrestricted net assets are not restricted by donors or the donor-imposed restrictions have expired.

Temporarily restricted net assets are those net assets subject to donor-imposed restrictions that permit the Center to use or expend the donated assets as specified and are satisfied either by the passage of time and/or by actions of the Center.

Permanently restricted net assets are those net assets subject to donor-imposed restrictions that stipulate resources be maintained permanently, but permit the Center to use or expend part or all of the income derived from the donated assets for specified or unspecified purposes.

The Center records contributions as temporarily restricted if they are received with donor stipulations that limit their use either through purpose or time restrictions. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities and Net Assets as net assets released from restrictions.

Contributions that the donor requires to be used to acquire long-lived assets are reported as temporarily restricted contributions. Once the asset has been placed in service, the Center reflects the expiration of the donor-imposed restriction as net assets released from restrictions.

D. Promises to give that are expected to be collected within one year are recorded at net realizable value. Promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows using a discount rate of 3.0%. Due to the nature of the promise to give, and the creditworthiness of the donor, management considers the

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FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

pledge receivable to be fully collectible. Accordingly, no allowance for doubtful pledges was considered necessary at June 30, 2014 and 2013.

E. Purchased property and equipment are capitalized at cost. Donated assets are capitalized at the fair market value of the asset on the date of contribution. Additions and replacements are charged to property accounts, while repairs and maintenance are charged to expense as incurred. Depreciation is recorded on the straight-line method over 5-15 years.

F. The Center is exempt from income taxes under Section 501(a) as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 and is currently considered a publicly supported charity. Regardless, the Center is subject to Section 511(a) for income taxes on unrelated business income. The Center had no tax liability as of June 30, 2014 and 2013. The Center has evaluated all tax positions taken on its returns and believes that all positions are more likely-than-not to be sustained upon examination. Currently, the 2011, 2012 and 2013 tax years are open and subject to examination by the Internal Revenue Service. However, the Center is not currently under audit nor has the Center been contacted by the Internal Revenue Service.

G. Subsequent events have been evaluated by management through DATE, the date these financial statements were available to be issued.

2. PLEDGE RECEIVABLE

The pledge receivable at June 30, 2014 and 2013 is due as follows:

	<u>2014</u>	<u>2013</u>
Receivable in less than one year	\$ 212,500	\$ 150,000
Receivable in one to three years	<u>-</u>	<u>200,000</u>
Pledge receivable	212,500	350,000
Less discount to net present value	<u>(5,825)</u>	<u>(15,850)</u>
Pledge receivable, net	<u><u>\$ 206,675</u></u>	<u><u>\$ 334,150</u></u>

3. FAIR VALUE MEASUREMENTS

U.S. generally accepted accounting principles establish a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Level 1 within the hierarchy states that valuations are based on unadjusted quoted market prices for identical assets in active markets. Level 2 within the hierarchy states that valuations are based on observable inputs other

THE SOUTHERN CENTER FOR INTERNATIONAL STUDIES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

than Level 1 prices, such as quoted prices for similar assets, quoted prices in inactive markets and other inputs that may be corroborated by observable market data. At June 30, 2014 and 2013, the only assets or liabilities that are measured at fair value on a recurring basis in periods subsequent to initial recognition are investments and the trust life interest.

The Center's investments consist of money market funds, mutual funds, and equity trusts. Money market funds are valued at cost which approximates fair value and is considered a Level 1 investment. Mutual funds are valued at the daily closing price on a publically traded market and are considered Level 1. The fair value of equity trusts are based on each account's daily net asset value ("NAV"), which is considered by management to be the best approximation of fair value. Equity trusts are not exchange traded and are classified within Level 2 of the fair value hierarchy. Data for NAVs are available daily on the fund's website and provides sufficient corroborative evidence to ascertain the relationship between each fund's NAV and the values of the underlying holdings. Underlying holdings are primarily valued using market quotations.

The following is a summary of investments by level, stated at fair value, held at June 30, 2014:

	Executive deferred compensation plan	Other investments	Total
Level 1			
Money market	\$ 5,767	\$ 1,159,061	\$ 1,164,828
Mutual funds	39,044	-	39,044
Level 2			
Equity trusts	207,030	74,391	281,421
Total	<u>\$ 251,841</u>	<u>\$ 1,233,452</u>	<u>\$ 1,485,293</u>

THE SOUTHERN CENTER FOR INTERNATIONAL STUDIES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

The following is a summary of investments by level, stated at fair value, held at June 30, 2013:

	Executive deferred compensation plan
Level 1	
Money market	\$ 5,237
Mutual funds	34,503
Level 2	
Equity trusts	103,710
Total	\$ 143,450

The trust life interest is classified within Level 3 of the valuation hierarchy (See Note 5), and it is valued using a discounted cash flow model, based on anticipated distributions and current risk-free interest rates. The interest rate used to discount the cash flows as of June 30, 2013 was 1.07%.

The table below sets forth a summary of changes in the fair value of the Center's Level 3 asset for the years ended June 30, 2014 and 2013:

	2014	2013
Balance, beginning of year	\$ 497,789	\$ 502,495
Change in value of split interest agreement	-	(4,706)
Distribution of split interest agreement	(497,789)	-
Balance, end of year	<u>\$ -</u>	<u>\$ 497,789</u>

Investment income consisted of the following for the years ended June 30, 2014 and 2013:

	2014	2013
Interest and dividends	\$ 7,702	\$ 1,495
Unrealized gain	2,964	-
Realized gain	16,834	-
Total investment income	<u>\$ 27,500</u>	<u>\$ 1,495</u>

THE SOUTHERN CENTER FOR INTERNATIONAL STUDIES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

4. PROGRAM MATERIALS

The program materials inventory is stated at the lower of cost or net realizable value. The Center increased its reserve by \$50,000 in the years ended June 30, 2014 and 2013, respectively, which is included in program expenses. The balance of the reserve is \$250,000 and \$200,000 as of June 30, 2014 and 2013, respectively.

5. TRUST LIFE INTEREST

The Center received, from a donor in 1982, a fractional portion of a life income interest in a trust. This interest is carried at estimated fair value as re-determined each year based on a current risk-free discount rate, the current year's income distributions and the remaining life expectancy of the donor. The total revenues received and recognized from this interest totaled \$27,869 and \$110,061 for the years ended June 30, 2014 and 2013, respectively. During the year ended June 30, 2014, the Trust was terminated for estate planning purposes and in conjunction therewith, the Center received approximately \$1,530,000 as a final trust distribution. The Center recorded an additional contribution from the Trust of \$1,038,028 for the year ended June 30, 2014.

6. COLLECTIONS

The Center maintains a collection of video recordings and rare photographs of influential politicians, heads of state and other dignitaries as well as other artifacts of historical significance. The Center is in the process of having these items appraised, restored, digitized and archived. These collections have not been capitalized and are, therefore, not included in the accompanying statement of financial position as of June 30, 2014 and 2013.

7. DEFERRED COMPENSATION PLAN

The Center maintains a nonqualified Section 457(f) plan to provide certain key employees with supplemental retirement benefits. The deferred contributions are deposited to an account that is owned by the employer until the assets are distributed to the employee in accordance with the plan document. At June 30, 2014 and 2013, the Center's asset and liability under the nonqualified plan was \$251,841 and \$143,450, respectively.

THE SOUTHERN CENTER FOR INTERNATIONAL STUDIES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

8. RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Restricted for use in future periods	\$ 206,675	\$ 831,939
Teach Europe	3,656	3,656
Public briefing	1,938	1,938
Total	<u>\$ 212,269</u>	<u>\$ 837,533</u>

Net assets were released from temporary restrictions by incurring expenses satisfying the restricted purposes or by occurrences of other events specified by the donor as follows:

	<u>2014</u>	<u>2013</u>
Dissolution of trust life interest	\$ 497,789	\$ -
Collection of time restricted pledge	139,975	135,899
UGA archive project	50,500	127,690
Secretaries of Defense XVI	-	74,261
Total	<u>\$ 688,264</u>	<u>\$ 337,850</u>

Permanently restricted net assets of \$26,000 at June 30, 2014 and 2013 consist of the following:

- A. A grant of \$25,000 was received with the stipulation that it be retained as a permanent endowment. Income is to be used solely for the upkeep and maintenance of the property that was previously used by the Center as office space but has been disposed of by the Center. The Center is contacting the original donor to determine the proper use of the funds now that the gift is no longer needed to maintain the property.
- B. A grant of \$1,000 was received with the stipulation that it be retained as a permanent endowment. Income is to be used for general operations.

9. IN-KIND CONTRIBUTIONS

In-kind contributions include imputed interest expense on interest-free loans from officers to the Center, totaling \$1,431 as well as donated use of facilities for office space totaling \$10,167 during the year ended June 30, 2013. The imputed interest on the loans from officers represents the estimated interest that would have been charged by a financial institution under the circumstances. However, the officers donated the use of the funds; therefore, the imputed interest is considered a contribution as well as an in-kind administrative expense.

THE SOUTHERN CENTER FOR INTERNATIONAL STUDIES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

10. CONCENTRATIONS

A single donor contributed 90% and 89% of total contributions for the years ended June 30, 2014 and 2013, respectively. A single donor represented 94% and 100% of pledges receivable at June 30, 2014 and 2013, respectively.

11. RELATED-PARTY TRANSACTIONS

The officers have previously loaned the Center various amounts and had an outstanding balance of \$58,516 at June 30, 2013. The loans were paid off during the year ended June 30, 2014. These loans are unsecured and, while they are non-interest bearing, they have accrued interest at an imputed market rate of 0.95% and 23.64% for financial reporting purposes. Interest expense of \$1,431 was imputed during the year ended June 30, 2013. Accordingly, an in-kind contribution and expense of \$1,431 is included on the statement of activities and net assets the year ended June 30, 2013 (See Note 9).

Officers donated use of facilities for office space during the year ended June 30, 2013.

The Center uses the son of its executive officers to manage certain investments totaling \$1,233,452 at June 30, 2014.

12. PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2014, the Center determined that an asset and liability for the executive deferred compensation plan had not been previously recorded. This resulted in an increase in assets and liabilities of \$143,450 as of June 30, 2013.

To the Board of Directors and management of
the Southern Center for International Studies, Inc.

We have audited the financial statements of the Southern Center for International Studies, Inc. (the "Center") for the year ended June 30, 2014, and have issued our report thereon dated DATE. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 5, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Center are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2014. We noted no transactions entered into by the Center during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the allowance for doubtful pledges receivable which is based on management's evaluation of the creditworthiness of the donor and Management's estimate of the valuation of the inventory of program materials and supplies which is based on the net realizable value of the inventory. We evaluated the key factors and assumptions used to develop the allowance for doubtful pledges and the valuation of the inventory in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management: the trust life interest of \$497,789 was written-off by management after distribution of the final gift from the trust. The executive deferred compensation plan assets and liabilities of \$207,216 were not recorded by management.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated DATE.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Center's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Center's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of the Southern Center for International Studies, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

DATE

To the Board of Trustees
and Management of Southern Center for International Studies, Inc.

In planning and performing our audit of the financial statements of Southern Center for International Studies, Inc. (the "Center") as of and for the year ended [Date] , in accordance with auditing standards generally accepted in the United States of America, we considered the Center's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Center's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in Center's internal control to be material weaknesses:

- During the course of the audit, we recorded a prior period adjustment to the 2013 financial statements for an increase in assets and liabilities of \$104,332 for the executive deferred compensation plan. We also increased the valuation reserve for program materials and wrote off a life interest in a trust totaling \$497,789 that was distributed during the year.

This communication is intended solely for the information and use of management, the Board of Trustees, and others within the Center, and is not intended to be, and should not be, used by anyone other than these specified parties.
