

BENTON HALL CORPORATION  
DBA BENTON HALL ACADEMY

FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION

Year Ended June 30, 2011

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214 Overlook Circle, Suite 250  
Brentwood, Tennessee 37027  
615 . 467 . 7300 MAIN  
615 . 467 . 7301 FAX  
[www.bpmcpas.com](http://www.bpmcpas.com)

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Benton Hall Corporation  
dba Benton Hall Academy  
Franklin, Tennessee

We have audited the accompanying statement of financial position of Benton Hall Corporation (a nonprofit organization) as of June 30, 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Benton Hall Corporation as of June 30, 2011, and the changes in its net assets, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Byrd, Proctor & Mills, P.C.*

November 7, 2011

BENTON HALL CORPORATION  
STATEMENT OF FINANCIAL POSITION  
June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>ASSETS</u>				
CURRENT ASSETS				
Cash	\$ 133,382	\$ 16,318	\$ 300	\$ 150,000
Investments	16,248	-	-	16,248
Accounts receivable	3,667	-	-	3,667
Inventory	4,568	-	-	4,568
Prepaid expenses	3,717	-	-	3,717
	<hr/>	<hr/>	<hr/>	<hr/>
Total current assets	161,582	16,318	300	178,200
PROPERTY AND EQUIPMENT				
	37,150	-	-	37,150
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>\$ 198,732</u>	<u>\$ 16,318</u>	<u>\$ 300</u>	<u>\$ 215,350</u>
<u>LIABILITIES AND NET ASSETS</u>				
CURRENT LIABILITIES				
Note payable - current	\$ 23,885	\$ -	\$ -	\$ 23,885
Accounts payable	8,627	-	-	8,627
Accrued liabilities	55,272	-	-	55,272
Deferred revenue	89,642	-	-	89,642
	<hr/>	<hr/>	<hr/>	<hr/>
Total current liabilities	177,426	-	-	177,426
NOTE PAYABLE - LONG-TERM				
	9,191	-	-	9,191
NET ASSETS				
Unrestricted	12,115	-	-	12,115
Temporarily restricted	-	16,318	-	16,318
Permanently restricted	-	-	300	300
	<hr/>	<hr/>	<hr/>	<hr/>
	12,115	16,318	300	28,733
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>\$ 198,732</u>	<u>\$ 16,318</u>	<u>\$ 300</u>	<u>\$ 215,350</u>

See accompanying notes.

BENTON HALL CORPORATION  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>SUPPORT AND REVENUE</b>				
Tuition and fees	\$ 805,613	\$ -	\$ -	\$ 805,613
Other program service revenues	49,867	-	-	49,867
Other income	19,586	-	-	19,586
Contributions	62,586	22,296	-	84,882
Special events revenues, net of direct costs	10,115	-	-	10,115
Investment income	3,469	-	-	3,469
Net assets released from restrictions	21,076	(21,076)	-	-
	<u>972,312</u>	<u>1,220</u>	<u>-</u>	<u>973,532</u>
<b>EXPENSES</b>				
Program services	683,196	-	-	683,196
Management and general	202,934	-	-	202,934
Fundraising	36,316	-	-	36,316
	<u>922,446</u>	<u>-</u>	<u>-</u>	<u>922,446</u>
 CHANGE IN NET ASSETS	 49,866	 1,220	 -	 51,086
 NET ASSETS, BEGINNING OF YEAR	 <u>(37,751)</u>	 <u>15,098</u>	 <u>300</u>	 <u>(22,353)</u>
 NET ASSETS, END OF YEAR	 <u>\$ 12,115</u>	 <u>\$ 16,318</u>	 <u>\$ 300</u>	 <u>\$ 28,733</u>

See accompanying notes.

BENTON HALL CORPORATION  
STATEMENT OF CASH FLOWS  
Year Ended June 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 51,086
Adjustment to reconcile change in net assets to net cash provided by operating activities	
Depreciation	6,782
Bad debts	23,068
Noncash contribution of investments	(2,284)
Unrealized investment gains	(3,469)
(Increase) decrease in:	
Accounts receivable	(12,499)
Inventory	605
Prepaid expenses	1,244
Other assets	1,946
Increase (decrease) in:	
Accounts payable	(15,405)
Accrued liabilities	4,577
Deferred revenue	89,973

Net cash provided by operating activities	145,624
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CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment	(12,230)
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Net cash used by investing activities	(12,230)
---------------------------------------	----------

CASH FLOWS FROM FINANCING ACTIVITIES

Principal repayments of note payable	(26,147)
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Net cash used by financing activities	(26,147)
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Net increase in cash	107,247
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CASH AT BEGINNING OF YEAR	42,753
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CASH AT END OF YEAR	\$ 150,000
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See accompanying notes.

BENTON HALL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Benton Hall Corporation (the Academy), operates as Benton Hall Academy located in Williamson County, Tennessee. It is a private coeducational school for grades three through twelve. The Academy is dedicated to the education of students with learning differences who may not thrive in a traditional educational setting. The Academy's operations are financed primarily through tuition and fees collected for services.

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. This method of accounting recognizes revenue when earned and expenses when incurred.

Financial Statement Presentation

The Academy reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions receivable are recorded at the time a promise is made.

Cash and Cash Equivalents

For the statement of cash flows, the Academy considers all highly liquid debt instruments purchased with an original maturity date of three months or less to be cash equivalents.

Tuition and Pledges Receivable

Tuition and fees are due from July through May, depending on the type of deferred payment plan chosen. Carrying amounts of tuition, fees and pledges receivables are reduced by a valuation allowance, if necessary, which reflects the Academy's best estimate of the amounts that will not be collected. The allowances are estimated based on the Academy's knowledge of its supporters, students, historical loss experience, and existing economic conditions. Receivables from tuition and fees are considered past due after 30 days.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets.

BENTON HALL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

Inventory

Inventory consists of items sold in the Academy's supply store, and are stated at the lower of cost or market on a first-in, first-out basis.

Property and Equipment

Purchased equipment and leasehold improvements are carried at cost. The cost of property and equipment purchased in excess of \$1,000 is capitalized. Donated equipment and leasehold improvements are carried at their approximate fair value at the date of donation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets.

Fair Values

Fair value is based upon quoted market prices, where available. If listed prices or quotes are not available, fair value is based upon internally developed models or processes that use primarily market-based or independently-sourced market data, including interest rate yield curves, option volatilities and third party information.

Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. Furthermore, while the Academy believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies, or assumptions, to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Generally accepted accounting principles require a three-level valuation hierarchy for fair value measurements. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The three levels are explained as follows:

Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Deferred Revenue

Deposits received for tuition for future school years are shown as deferred revenue until earned.

Income Tax Status

The Academy qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. In addition, the Academy qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is a not private foundation under Section 509(a)(2). The Organization's federal information returns for tax years ending June 30, 2008 and later are subject to examination by the IRS.



BENTON HALL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs and expenses have been allocated among the programs and supporting services benefited.

Advertising and Promotion

Advertising and promotion costs are expensed as incurred. Total advertising expenses were \$14,903 for the year ended June 30, 2011.

Estimates

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

Donated Services

Volunteers of the Academy have donated significant amounts of time to the Academy without compensation. The fair value of these services is not reflected in the accompanying financial statements, inasmuch as there is no objective basis on which to measure the value of such services.

Evaluation of Events Occurring After the Financial Statement Date

Management has evaluated subsequent events through November 7, 2011, the date the financial statements were available to be issued.

NOTE 2 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2011 consists of the following:

Tuition receivable	\$ 17,212
Allowance for doubtful accounts	<u>(13,545)</u>
	<u>\$ 3,667</u>

BENTON HALL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

NOTE 3 – INVESTMENTS

Investments are stated at fair value, with fair value determined based on active markets (Level 1) and consist of the following at June 30, 2011:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain</u>
Common stocks	<u>\$ 12,779</u>	<u>\$ 16,248</u>	<u>\$ 3,469</u>

Investment earnings are reported net of related investment expenses for the year ended June 30, 2011 and include interest, dividends, and realized and unrealized gains.

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2011:

Unrealized gains on investments - unrestricted	\$ 3,469
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NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2011 consists of the following:

Furniture and fixtures	\$ 11,694
Equipment	167,311
Transportation equipment	42,230
Leasehold Improvements	4,234
Website development costs	<u>7,480</u>
	232,949
Accumulated depreciation	<u>(195,799)</u>
	<u>\$ 37,150</u>

NOTE 5 – NOTE PAYABLE

In November 2008, the Academy entered into a promissory note agreement for \$95,540 with a local bank. Principal payments of \$1,990 plus interest are due monthly for 47 months. The remaining principal and interest is due at the maturity date of November 18, 2012. The note bears interest at of 6.9%, and is secured by inventory and equipment. The outstanding balance at June 30, 2011 was \$33,076.

A summary of future maturities of the note payable is as follows:

Year ended June 30:	
2012	\$ 23,885
2013	9,191

BENTON HALL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Net assets were released from donor restrictions by incurring expenditures satisfying the restricted purposes or by occurrence of other events specified by donors during 2011 as follows:

Classroom Enhancements	\$ 1,612
Financial aid	1,000
New text books	874
Basketball uniforms	460
Bus Repairs	12,230
Prom	4,900
	<hr/>
	\$ 21,076

Temporarily restricted net assets at June 30, 2011 consist of the following:

Financial aid	\$ 4,400
Prom	2,967
New text books	5,995
Playground equipment	2,000
Basketball uniforms	751
Other	205
	<hr/>
	\$ 16,318

NOTE 7 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of the following at June 30, 2011:

Various	<hr/> <hr/> \$ 300
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NOTE 8 – OPERATING LEASES

The Academy has entered into noncancelable operating leases for certain equipment. Future minimum lease payments for these leases are as follows:

Year ended June 30:	
2012	\$ 4,457
2013	3,789
	<hr/>
	\$ 4,457

The Academy leases the building on a month to month basis. No written lease agreement currently exists. The Academy is in the process of finalizing a written lease agreement for the school building. Occupancy expenses reimbursed to the owner of the building in which the Academy operates totaled \$78,794 for the year ended June 30, 2011.

BENTON HALL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

NOTE 9 – RETIREMENT PLAN

Employees of the Academy are eligible to participate in a SIMPLE-IRA retirement plan. Under the plan, the Academy matches 100% of the amount the employee elects to contribute to the plan up to a maximum of 3% of the employee's eligible compensation. Retirement expense totaled \$11,338 for the year ended June 30, 2011.

NOTE 10 – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Interest paid	\$ 5,256
Noncash investing activity - donated securities	2,284

NOTE 11 – LITIGATION

The Academy is a defendant in a lawsuit. While the final outcome cannot be determined at this time, management is of the opinion that the ultimate liability, if any, from the final resolution of these matters will not have a material effect on the Organization's financial statements.

## SUPPLEMENTARY INFORMATION



214 Overlook Circle, Suite 250  
Brentwood, Tennessee 37027  
615 . 467 . 7300 MAIN  
615 . 467 . 7301 FAX  
[www.bpmcpas.com](http://www.bpmcpas.com)

## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors  
Benton Hall Corporation  
Nashville, Tennessee

We have audited the financial statements of Benton Hall Corporation as of and for the year ended June 30, 2011 and have issued our report dated November 7, 2011, which contained an unqualified opinion on the financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenses is presented for the purpose of additional analysis and is 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 auditing procedures applied in the audit of the financial statements and certain additional 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.

*Byrd, Proctor & Mills, P.C.*

November 7, 2011

BENTON HALL CORPORATION  
SCHEDULE OF EXPENSES  
Year Ended June 30, 2011

	Program Services	Management and General	Fundraising Expenses	Total
Student financial assistance	\$ 25,996	\$ -	\$ -	\$ 25,996
Outside labor and services	5,701	-	-	5,701
Salaries and wages	397,098	102,650	21,974	521,722
Employee benefits	66,486	11,729	2,783	80,998
Payroll taxes	30,369	7,860	1,634	39,863
Fees for services	2,992	43,733	-	46,725
Supplies	3,991	623	112	4,726
Dues and subscriptions	2,402	76	1,296	3,774
Taxes and insurance	9,671	-	-	9,671
Student activities	19,073	-	-	19,073
Public relations and marketing	6,053	3,146	5,704	14,903
Bank charges	1,377	-	-	1,377
Telecommunications	3,841	2,241	320	6,402
Postage and shipping	619	116	219	954
Occupancy	75,643	2,364	788	78,795
Equipment rental and maintenance	3,330	1,524	218	5,072
Travel and vehicle	14,654	493	292	15,439
Meetings	156	301	315	772
Interest	3,231	1,840	263	5,334
Depreciation	5,255	1,145	382	6,782
Other expenses	1,984	25	16	2,025
Bad debts and collection costs	-	23,068	-	23,068
Costs of goods sold	3,274	-	-	3,274
	<u>\$ 683,196</u>	<u>\$ 202,934</u>	<u>\$ 36,316</u>	<u>\$ 922,446</u>