

CURREY INGRAM ACADEMY

FINANCIAL STATEMENTS

***As of and for the Years Ended June 30, 2018
and 2017***

And Report of Independent Auditor

CURREY INGRAM ACADEMY
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Report of Independent Auditor

The Board of Trustees
Currey Ingram Academy
Brentwood, Tennessee

We have audited the accompanying financial statements of Currey Ingram Academy (the "Academy") (a not-for-profit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Currey Ingram Academy as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements as of June 30, 2017, were audited by other auditors whose report dated November 3, 2017, expressed an unmodified opinion on those statements.



Nashville, Tennessee
November 20, 2018

CURREY INGRAM ACADEMY
STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 4,586,789	\$ 3,189,538
Investments	5,551,016	4,906,122
Inventory	66,986	63,292
Accounts receivable, net of allowance of \$538,381 and \$523,888, respectively	520,794	482,350
Current pledges receivable, net of allowance of \$135,534 and \$6,898, respectively	2,964,034	34,818
Prepaid expenses	117,122	86,328
Interest rate swap	14,137	-
Total Current Assets	13,820,878	8,762,448
 Pledges receivable, net of discount and allowance of \$311,113 and \$-0- respectively	 761,887	 -
 Property and equipment, net of accumulated depreciation of \$20,983,601 and \$19,380,154, respectively	 30,561,635	 31,960,922
 Other assets, net	 51,017	 60,436
Total Assets	\$ 45,195,417	\$ 40,783,806
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 197,257	\$ 257,079
Deferred revenues	1,370,822	1,184,020
Current installments of bonds payable	675,000	1,724,063
Interest rate swap	-	25,324
Total Current Liabilities	2,243,079	3,190,486
 Bonds payable, net of current installments	 3,409,063	 2,775,000
Total Liabilities	5,652,142	5,965,486
 Net Assets:		
Unrestricted	31,544,866	31,726,055
Temporarily restricted	1,540,268	45,821
Permanently restricted	6,458,141	3,046,444
Total Net Assets	39,543,275	34,818,320
Total Liabilities and Net Assets	\$ 45,195,417	\$ 40,783,806

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

CURREY INGRAM ACADEMY
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support:				
Contributions	<u>\$ 1,188,898</u>	<u>\$ 1,501,550</u>	<u>\$ 3,411,697</u>	<u>\$ 6,102,145</u>
Revenue:				
Tuition,				
net of financial aid of \$1,907,463	10,986,110	-	-	10,986,110
Child development center	547,907	-	-	547,907
Diagnostic center	389,962	-	-	389,962
Tuition refund income	243,155	-	-	243,155
Student fees	205,196	-	-	205,196
Application and enrollment fees	133,650	-	-	133,650
Student activities income	132,166	-	-	132,166
Aftercare income	120,435	-	-	120,435
Other	57,446	-	-	57,446
Facility rental	52,508	-	-	52,508
Investment interest				
and dividends	40,932	-	-	40,932
In-kind income	39,017	-	-	39,017
Finance charge income	33,208	-	-	33,208
Gain on sale of assets	1,765	-	-	1,765
Net assets released				
from restrictions	<u>7,103</u>	<u>(7,103)</u>	<u>-</u>	<u>-</u>
Total Revenue	<u>12,990,560</u>	<u>(7,103)</u>	<u>-</u>	<u>12,983,457</u>
Unrealized gain on investments	<u>350,814</u>	<u>-</u>	<u>-</u>	<u>350,814</u>
Total Public Support, Revenue and Investment Gain	<u>14,530,272</u>	<u>1,494,447</u>	<u>3,411,697</u>	<u>19,436,416</u>
Expenses:				
Program services	<u>13,468,268</u>	<u>-</u>	<u>-</u>	<u>13,468,268</u>
Supporting Services:				
Management and general	918,891	-	-	918,891
Fundraising	<u>324,302</u>	<u>-</u>	<u>-</u>	<u>324,302</u>
Total Supporting Services	<u>1,243,193</u>	<u>-</u>	<u>-</u>	<u>1,243,193</u>
Total Expenses	<u>14,711,461</u>	<u>-</u>	<u>-</u>	<u>14,711,461</u>
Change in net assets	(181,189)	1,494,447	3,411,697	4,724,955
Net assets at beginning of year	<u>31,726,055</u>	<u>45,821</u>	<u>3,046,444</u>	<u>34,818,320</u>
Net assets at end of year	<u>\$ 31,544,866</u>	<u>\$ 1,540,268</u>	<u>\$ 6,458,141</u>	<u>\$ 39,543,275</u>

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

CURREY INGRAM ACADEMY
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support:				
Contributions	\$ 1,724,437	\$ 11,003	\$ 17,980	\$ 1,753,420
Revenue:				
Tuition,				
net of financial aid of \$1,779,110	11,280,954	-	-	11,280,954
Diagnostic center	423,645	-	-	423,645
Child development center	396,853	-	-	396,853
Student fees	231,501	-	-	231,501
Tuition refund income	230,302	-	-	230,302
Student activities income	182,407	-	-	182,407
Aftercare income	152,920	-	-	152,920
Application and enrollment fees	136,050	-	-	136,050
Other	118,642	-	-	118,642
Investment interest				
and dividends	68,391	-	-	68,391
Finance charge income	45,179	-	-	45,179
Gain on sale of assets	37,761	-	-	37,761
Facility rental	31,965	-	-	31,965
In-kind income	16,382	-	-	16,382
Net assets released				
from restrictions	53,572	(53,572)	-	-
Total Revenue	13,406,524	(53,572)	-	13,352,952
Unrealized gain on investments	529,748	-	-	529,748
Total Public Support, Revenue				
and Investment Gain	15,660,709	(42,569)	17,980	15,636,120
Expenses:				
Program services	13,256,560	-	-	13,256,560
Supporting Services:				
Management and general	953,256	-	-	953,256
Fundraising	212,804	-	-	212,804
Total Supporting Services	1,166,060	-	-	1,166,060
Total Expenses	14,422,620	-	-	14,422,620
Change in net assets	1,238,089	(42,569)	17,980	1,213,500
Net assets at beginning of year	30,487,966	88,390	3,028,464	33,604,820
Net assets at end of year	\$ 31,726,055	\$ 45,821	\$ 3,046,444	\$ 34,818,320

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

CURREY INGRAM ACADEMY
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries	\$ 7,100,234	\$ 430,932	\$ 104,596	\$ 7,635,762
Contract services	1,534,186	235,370	157,589	1,927,145
Payroll taxes and employee benefits	1,284,359	68,892	18,444	1,371,695
Bad debt	151,547	-	-	151,547
Utilities	375,362	-	-	375,362
Materials and supplies	185,943	23,877	6,396	216,216
Student contract discount	176,662	-	-	176,662
Investment and debt fees	169,610	550	-	170,160
Miscellaneous	120,042	37,282	6,389	163,713
Tuition refund program	157,580	-	-	157,580
Advertising and public relations	122,019	-	11,149	133,168
Student activities	91,428	-	11,092	102,520
Insurance	101,861	-	-	101,861
Professional development	62,090	2,485	1,708	66,283
Equipment	23,847	41,818	-	65,665
Technology	38,280	21,761	-	60,041
Copier rent expense	49,281	-	-	49,281
Membership, subscriptions, books, and dues	44,230	2,318	1,043	47,591
Audit	-	28,200	-	28,200
Athletic	21,426	-	-	21,426
Entertainment and hospitality	9,720	8,682	2,819	21,221
Legal fees	-	11,485	-	11,485
Permits and licenses	3,360	4,223	-	7,583
Postage	2,785	1,016	3,077	6,878
	<u>11,825,852</u>	<u>918,891</u>	<u>324,302</u>	<u>13,069,045</u>
Depreciation and amortization	<u>1,642,416</u>	<u>-</u>	<u>-</u>	<u>1,642,416</u>
	<u>\$ 13,468,268</u>	<u>\$ 918,891</u>	<u>\$ 324,302</u>	<u>\$ 14,711,461</u>

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

CURREY INGRAM ACADEMY
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2017

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries	\$ 6,760,255	\$ 453,929	\$ 105,050	\$ 7,319,234
Contract services	1,494,334	192,784	9,870	1,696,988
Payroll taxes and employee benefits	1,260,584	75,918	15,920	1,352,422
Utilities	378,063	-	-	378,063
Student contract discount	238,158	-	-	238,158
Materials and supplies	210,118	21,862	1,999	233,979
Investment and debt fees	202,977	3,850	-	206,827
Student activities	164,646	-	8,020	172,666
Advertising and public relations	136,999	-	29,020	166,019
Miscellaneous	77,204	45,115	34,544	156,863
Tuition refund program	111,707	-	-	111,707
Insurance	84,897	24,284	-	109,181
Bad debt	102,633	-	-	102,633
Professional development	67,004	9,162	522	76,688
Copier rent expense	75,213	-	-	75,213
Equipment	11,108	54,015	-	65,123
Technology	47,774	12,213	-	59,987
Athletic	44,727	-	-	44,727
Membership, subscriptions, books, and dues	34,250	2,113	628	36,991
Audit	-	30,500	-	30,500
Entertainment and hospitality	4,665	12,830	3,916	21,411
Legal fees	-	11,432	-	11,432
Postage	3,319	1,325	3,315	7,959
Permits and licenses	4,402	1,924	-	6,326
	<u>11,515,037</u>	<u>953,256</u>	<u>212,804</u>	<u>12,681,097</u>
Depreciation and amortization	<u>1,741,523</u>	<u>-</u>	<u>-</u>	<u>1,741,523</u>
	<u>\$ 13,256,560</u>	<u>\$ 953,256</u>	<u>\$ 212,804</u>	<u>\$ 14,422,620</u>

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

CURREY INGRAM ACADEMY

STATEMENTS OF CASH FLOWS

JUNE 30, 2018 AND 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 4,724,955	\$ 1,213,500
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,632,997	1,732,104
Amortization	9,419	9,419
Unrealized gain on investments	(350,814)	(529,748)
Contributions restricted for long-term purposes	(4,497,048)	(17,840)
Gain on sale of equipment	(1,765)	(37,761)
Allowance for bad debts	327,341	8,541
Changes in operating assets and liabilities:		
Inventory	(3,694)	(12,741)
Accounts receivable	(38,444)	(246,718)
Pledges receivable	(50,000)	37,811
Prepaid expenses	(30,794)	14,147
Accounts payable and accrued expenses	(59,822)	69,562
Deferred revenues	186,802	(1,436,558)
Change in estimated fair value of interest rate swap agreement	(39,461)	(101,148)
Net cash provided by operating activities	1,809,672	702,570
Cash flows from investing activities:		
Purchase of investments	(5,526,825)	(93,579)
Proceeds from sale of investments	5,232,745	141,851
Purchases of equipment	(232,595)	(325,470)
Proceeds from sale of equipment	650	37,761
Net cash used in investing activities	(526,025)	(239,437)
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term purposes	528,604	18,060
Payments of bonds payable	(1,724,063)	(615,000)
Proceeds from bonds payable	1,309,063	-
Payments on note payable	-	(585,876)
Payments on capital lease	-	(146,610)
Net cash provided by (used in) financing activities	113,604	(1,329,426)
Net increase (decrease) in cash and cash equivalents	1,397,251	(866,293)
Cash and cash equivalents at beginning of year	3,189,538	4,055,831
Cash and cash equivalents at end of year	\$ 4,586,789	\$ 3,189,538

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

CURREY INGRAM ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 1—Nature of operations and summary of significant accounting policies

Currey Ingram Academy (the “Academy”) is a not-for-profit kindergarten through twelfth grade college preparatory school for students with average to above average intelligence who have learning differences. The Academy’s major sources of funding are tuition payments and contributions from donors.

Basis of Presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. 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 and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Academy and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Contributions which are restricted for specific programs are reflected as unrestricted revenue if these funds are received and spent during the same fiscal year.

Permanently Restricted Net Assets – Net assets subject to donor-imposed restrictions that they be maintained permanently by the Academy. Generally, the donors of these assets permit the Academy to use all or part of the income earned for unrestricted purposes.

Cash and Cash Equivalents – For purposes of the statements of cash flows, the Academy considers all cash funds, cash bank accounts and highly liquid debt instruments with an original maturity when purchased of three months or less to be cash and cash equivalents.

Investments – The Academy accounts for investments under Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”) guidance for accounting for investments by not-for-profit organizations. Under this guidance, 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. See Note 2 for additional information on fair value measurements.

Accounts Receivable – Accounts receivable are reviewed periodically as to their collectability. Uncollectible accounts are written off in the period in which they are determined to be uncollectible. At June 30, 2018 and 2017, an allowance for bad debts of \$538,381 and \$523,888 has been estimated and recorded, respectively.

Pledges Receivable – Contributions are recognized when the donor makes a promise to give to the Academy that is, in substance, unconditional. Unconditional promises to give are recorded when the promises are made. Donor restricted contributions are reported as increases to temporarily or permanently restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Unconditional promises to give due in the next year are reflected as current pledges receivable and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term pledges receivable and are recorded at present value using interest rates applicable to the years in which the pledges are received.

The Academy uses the allowance method to determine uncollectible pledges receivable. The allowance is based on prior years’ experience and management’s analysis of specific promises made. At June 30, 2018 and 2017, the allowance totaled \$334,214 and \$6,898, respectively.

CURREY INGRAM ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 1—Nature of operations and summary of significant accounting policies (continued)

Property and Equipment – Property and equipment are recorded at cost if purchased or fair value if contributed. Expenditures for ordinary maintenance and repairs are charged to operations. Renewals and betterments that materially extend the life of the asset are capitalized. Depreciation is provided in amounts necessary to allocate the cost of the various classes of assets over their estimated useful lives. Estimated useful lives of all major classes of assets are as follows:

Equipment, vehicles, furniture, and fixtures	3 – 5 years
Building and building improvements	10 – 30 years

Deferred Revenues – Deferred revenues represent advance tuition, fee payments, and deposits for the upcoming academic year. Such amounts are recognized as revenue in the year to which they apply.

Derivative Instruments and Hedging Activities – The Academy follows FASB ASC guidance for accounting for derivatives. The guidance establishes accounting and reporting standards requiring that every derivative instrument be recorded in the statements of financial position as either an asset or as a liability measured at its estimated fair value. The guidance also requires that changes in the derivative's fair value be recognized currently in the statements of activities. See Note 8 for detail of the Academy's interest rate swap agreement, which is considered to be a derivative.

Restricted Endowment Funds – The *Uniform Prudent Management of Institutional Funds Act* ("UPMIFA") was enacted in Tennessee effective July 1, 2007. The FASB ASC provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of UPMIFA. The guidance requires that the amount of permanently restricted net assets cannot be reduced by losses on investments of the funds or by an organization's expenditures from the fund unless the donor required the gift to be held in specific investments.

FASB ASC guidance also requires disclosure of a description of the governing board's interpretation of the law that underlies an organization's net asset classification of donor-restricted endowment funds, a description of the organization's policies for the appropriation of endowment assets for expenditures (its endowment spending policies), a description of the organization's endowment investment policies, and additional disclosures. See Note 12 for additional information regarding permanently restricted endowment funds.

Functional Expense Allocation – For purposes of the statements of functional expenses, certain expenses have been allocated between program and supporting services based on estimates made by management.

Advertising Costs – Advertising costs are expensed as incurred. Advertising expense totaled \$133,168 and \$166,019 for the years ended June 30, 2018 and 2017, respectively.

Donated Materials, Services, and Assets – Donated materials and equipment, if any, are reflected as contributions in the accompanying statements at their estimated values at date of receipt.

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Additionally, a number of unpaid volunteers have made significant contributions of their time to assist in fundraising and special projects. However, these services do not meet the requirements above and have not been recorded.

CURREY INGRAM ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 1—Nature of operations and summary of significant accounting policies (continued)

Donations of property and equipment are recorded as support at their estimated fair value at date of receipt. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Academy reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Academy reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes – The Academy is a not-for-profit organization and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation. Accordingly, no provision for income taxes is included in the accompanying financial statements.

The Academy follows FASB ASC guidance clarifying the accounting for uncertainty in income taxes recognized in an entity's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than 50% likely of being recognized upon ultimate settlement. The Academy has no tax penalties or interest reported in the accompanying financial statements.

Subsequent Events – The Academy has evaluated events and transactions that occurred through November 20, 2018, the date the financial statements were available to be issued.

Note 2—Investments and fair value measurement

The Academy follows the provisions of the Fair Value Measurement Topic of the FASB ASC. This guidance establishes a framework for measuring fair value for financial assets and financial liabilities. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below.

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Academy has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by the observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

CURREY INGRAM ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 2—Investments and fair value measurement (continued)

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

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the methodologies used at June 30, 2018 and 2017. A description of the valuation methodologies used for assets and liabilities measured at fair value is described below.

Investments in Commonfund – Equity funds held as of June 30, 2017 represented units of ownership in certain fund shares rather than individual securities. The Academy valued these investments as Level 2 because the specific units held did not have quoted prices and were not traded on an active market. However, the underlying assets of the fund were actively traded. All investments were transferred to mutual funds during the year ended June 30, 2018.

Mutual Funds – The fair value of equity and bond funds held by third parties (Level 1) were determined by obtaining quoted market prices in active markets.

The fair value of the interest rate swap (Level 2) was determined based on valuation models that provide a market to market estimate.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. 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 fair value measurement at the reporting date.

The general investment strategy of the Academy is to diversify investments among both equity and fixed income securities so as to enhance total return while avoiding undue risk concentration in any investment class.

The following table sets forth by level, within the fair value hierarchy, the Academy's assets and liabilities at fair value as of June 30, 2018:

	Level 1	Level 2	Level 3	Total
Investments:				
Mutual funds - equity funds	\$ 3,352,964	\$ -	\$ -	\$ 3,352,964
Mutual funds - bond funds	1,746,839	-	-	1,746,839
Money market	451,213	-	-	451,213
Total investments at fair value	<u>\$ 5,551,016</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,551,016</u>
Interest rate swap asset	<u>\$ -</u>	<u>\$ 14,137</u>	<u>\$ -</u>	<u>\$ 14,137</u>

CURREY INGRAM ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 2—Investments and fair value measurement (continued)

The following table sets forth by level, within the fair value hierarchy, the Academy's assets and liabilities at fair value as of June 30, 2017:

	Level 1	Level 2	Level 3	Total
Investments:				
Commonfund - equity funds	\$ -	\$ 3,450,009	\$ -	\$ 3,450,009
Mutual funds - bond funds	1,411,679	-	-	1,411,679
Money market	44,434	-	-	44,434
Total investments at fair value	<u>\$ 1,456,113</u>	<u>\$ 3,450,009</u>	<u>\$ -</u>	<u>\$ 4,906,122</u>
Interest rate swap liability	<u>\$ -</u>	<u>\$ (25,324)</u>	<u>\$ -</u>	<u>\$ (25,324)</u>

The following schedule summarizes the investment return at June 30:

	2018	2017
Investment interest and dividends	\$ 40,932	\$ 68,391
Unrealized gain	350,814	529,748
Net investment gain	<u>\$ 391,746</u>	<u>\$ 598,139</u>

Note 3—Pledges receivable

The Academy has received pledges for contributions for the construction of new buildings, scholarships, endowment, and the unrestricted annual fund. The discount rate used to determine the present value of pledges receivable was 3.12% at June 30, 2018 and 2.17% at June 30, 2017.

The following are the future maturities of pledges receivable at June 30, 2018:

<u>Years Ending June 30,</u>	
2019	\$ 3,099,568
2020	512,000
2021	187,000
2022	187,000
2023	187,000
Gross pledges receivable	4,172,568
Less allowance for uncollectible pledges	(334,214)
Less discount to net present value	(112,433)
Pledges receivable, net	<u>\$ 3,725,921</u>

CURREY INGRAM ACADEMY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 3—Pledges receivable (continued)

Pledges receivable are scheduled to be received as follows:

	2018	2017
Receivable in less than one year, net	\$ 2,964,034	\$ 34,818
Receivable in one to five years, net	761,887	-
	<u>\$ 3,725,921</u>	<u>\$ 34,818</u>

Note 4—Property and equipment

Property and equipment consists of the following at June 30:

	2018	2017
Buildings	\$ 41,946,065	\$ 41,946,065
Furniture and equipment	5,222,865	5,128,082
Land	2,986,766	2,986,766
Building improvements	648,253	576,898
Land improvements	488,995	482,222
Vehicles	124,917	124,917
Grounds equipment	82,899	84,399
Construction in progress	44,476	11,727
	<u>51,545,236</u>	<u>51,341,076</u>
Less accumulated depreciation	<u>(20,983,601)</u>	<u>(19,380,154)</u>
	<u>\$ 30,561,635</u>	<u>\$ 31,960,922</u>

At June 30, 2018 and 2017, construction in progress primarily consists of architect and engineering fees incurred related to the construction of a sports pavilion and improvement costs for the student center and the student athletic center.

For the years ended June 30, 2018 and 2017, the Academy had depreciation expense of \$1,632,997 and \$1,732,104 respectively.

Note 5—Other assets

Other assets consists of the following at June 30:

	2018	2017
Bond issuance costs	\$ 133,695	\$ 133,695
Accumulated amortization on bond costs	(92,356)	(84,724)
Underwriters' discount	37,500	37,500
Accumulated amortization on discount	(27,822)	(26,035)
	<u>\$ 51,017</u>	<u>\$ 60,436</u>

For the years ended June 30, 2018 and 2017, amortization expense totaled \$9,419 and \$9,419, respectively.

CURREY INGRAM ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 6—Bonds payable

On March 15, 2003, the Academy issued \$7,500,000 of Debenture Adjustable Rate Demand Development Revenue Bonds through a financial institution. The bonds required interest at a fixed rate in accordance with the swap agreement (described in Note 8) plus a variable rate. The variable interest rate was adjusted weekly based upon LIBOR plus an agreed-upon factor. Interest was due monthly on the last business day of each month.

Effective October 20, 2009, the bonds payable were refinanced through an agreement with the Industrial Development Board of Williamson County, Tennessee ("IDB"). Under this agreement, the IDB issued \$6,105,000 in Educational Facilities Revenue Refunding Bonds, and loaned the proceeds of this bond issuance to the Academy through a loan agreement with a financial institution. Principal payments are due annually with monthly interest payments at a variable rate based on LIBOR (3.65% at June 30, 2018). The maturity date of the agreement is December 1, 2023. Amounts outstanding at June 30, 2018 and 2017 are \$2,775,000 and \$3,190,000, respectively.

On May 3, 2013, the IDB issued an additional \$4,100,000 in Educational Facilities Revenue Bonds and loaned the proceeds of the bond issuance to the Academy through a loan agreement with a financial institution. Advances were disbursed to the Academy on a line of credit basis, as construction progressed. At June 30, 2017, \$1,309,063 was outstanding under this agreement. This loan matured March 30, 2018 and was extended through February 28, 2023 with interest due monthly at a variable rate based on LIBOR (3.98% at June 30, 2018). At June 30, 2018, \$1,309,063 remains outstanding.

Maturities of bonds payable are as follows:

<u>Years Ending June 30,</u>	<u>Annual Principle Amount</u>
2019	\$ 675,000
2020	690,000
2021	705,000
2022	720,000
2023	794,063
Thereafter	500,000
	<u>\$ 4,084,063</u>

The Academy is required to meet certain financial and nonfinancial covenants as specified in the bond documents. For the years ended June 30, 2018 and 2017, the Academy was in compliance with all covenants.

Note 7—Line of credit

In June 2014, the Academy entered into a \$500,000 line of credit agreement with a financial institution. The line matured April 28, 2017 and was extended through January 31, 2019 under the same terms. The line of credit has a variable interest rate based upon LIBOR plus 2.00% and requires the Academy to maintain a zero balance outstanding on the line for at least one thirty consecutive day period. There were no amounts outstanding on the line of credit at June 30, 2018 and 2017.

CURREY INGRAM ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 8—Interest rate swap agreement

During 2008, the Academy entered into an interest rate swap transaction in connection with the bonds payable issued in 2003 to hedge against future changes in interest rates. The interest rate swap agreement swapped a variable rate for a fixed rate of 3.49%. The notional amount on the swap was \$4,740,000 with a termination date of October 1, 2015.

During October 2013, this swap agreement was terminated and replaced by a new interest rate swap agreement. Details of the new agreement were as follows:

Description	Date	Date	Amount
Interest rate swap agreement swapping a variable rate for a fixed rate of 3.14%	October 9, 2013	November 1, 2023	\$ 4,740,000

During October 2017, this swap agreement was terminated and replaced by a new interest rate swap agreement. Details of the new agreement are as follows:

Description	Date	Date	Amount
Interest rate swap agreement swapping a variable rate for a fixed rate of 1.77%	October 1, 2017	December 1, 2023	\$ 3,190,000

The Academy accounted for these interest rate swap agreements in accordance with FASB ASC guidance on accounting for derivative instruments, which requires that the fair value of the liability be presented in the accompanying statements of financial position. The statements of activities for the years ended June 30, 2018 and 2017 include \$39,461 and \$101,148, respectively, of change in the valuation of the interest rate swap agreements. The notional amount of the agreement is \$2,775,000 and \$3,190,000 at June 30, 2018 and 2017, respectively. The estimated fair values at June 30, 2018 and 2017 are \$14,137 and \$(25,324), respectively.

Note 9—Unrestricted net assets

The Board of Trustees has placed voluntary designations on certain unrestricted net assets. A summary of unrestricted net assets is as follows at June 30:

	2018	2017
Board designated:		
Scholarship endowment	\$ 2,018,454	\$ 1,745,326
Deferred maintenance	519,618	519,618
Tuition refund program	316,588	231,506
Fundraising consultant	78,354	215,000
Financial aid	41,252	70,000
Retirement of debt	-	215,000
Wage increases	-	200,000
Total board designated	2,974,266	3,196,450
Undesignated	28,570,600	28,529,605
	<u>\$ 31,544,866</u>	<u>\$ 31,726,055</u>

CURREY INGRAM ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 10—Temporarily restricted net assets

The Academy has received contributions from donors with the stipulation that such contributions are to be used for specified purposes.

Temporarily restricted net assets are available as follows at June 30:

	2018	2017
Pledges receivable - time restricted	\$ 773,250	\$ 34,818
Capital improvements	750,118	-
Scholarships	8,000	7,000
Marketing	5,000	-
Miscellaneous	3,900	4,003
	<u>\$ 1,540,268</u>	<u>\$ 45,821</u>

Note 11—Temporarily restricted contributions and related expenses

Temporarily restricted contributions and related expenses consist of the following for the years ended June 30:

	2018		2017	
	Contributions	Expenses/ Releases	Contributions	Expenses/ Releases
Pledges receivable - time restricted	\$ 738,432	\$ -	\$ -	\$ 53,572
Capital improvements	750,118	-	-	-
Scholarships	8,000	7,000	7,000	-
Marketing	5,000	-	-	-
Miscellaneous	-	103	4,003	-
	<u>\$ 1,501,550</u>	<u>\$ 7,103</u>	<u>\$ 11,003</u>	<u>\$ 53,572</u>

Note 12—Endowment

Permanently restricted net assets consist of the following endowment funds at June 30:

	2018	2017
Scholarship and other	<u>\$ 6,458,141</u>	<u>\$ 3,046,444</u>

The dividend and interest income earned on permanently restricted net assets is available to the Academy to provide scholarships and financial assistance. The Academy's endowment consists of board designated and donor restricted gifts held in cash and investment accounts. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions.

CURREY INGRAM ACADEMY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 12—Endowment (continued)

Interpretation of Relevant Law – The Board of Trustees of the Academy has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Academy classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Academy in a manner consistent with the standard of prudence prescribed by UPMIFA. The Board of Trustees has appropriated for expenditure all endowment earnings.

Endowment Net Asset Composition by Type of Fund as of June 30, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$ -	\$ -	\$ 6,458,141	\$ 6,458,141
Board designated endowment funds	2,018,454	-	-	2,018,454
Total funds	<u>\$ 2,018,454</u>	<u>\$ -</u>	<u>\$ 6,458,141</u>	<u>\$ 8,476,595</u>

Changes in Endowment Net Assets for the Year Ended June 30, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 1,745,326	\$ -	\$ 3,046,444	\$ 4,791,770
Investment activity:				
Interest and dividends	40,932	-	-	40,932
Net appreciation	350,814	-	-	350,814
Investment fees	(14,407)	-	-	(14,407)
Total investment activity	<u>377,339</u>	<u>-</u>	<u>-</u>	<u>377,339</u>
Contributions	<u>-</u>	<u>-</u>	<u>3,411,697</u>	<u>3,411,697</u>
Expenditures	<u>(104,211)</u>	<u>-</u>	<u>-</u>	<u>(104,211)</u>
Endowment net assets, end of year	<u>\$ 2,018,454</u>	<u>\$ -</u>	<u>\$ 6,458,141</u>	<u>\$ 8,476,595</u>

CURREY INGRAM ACADEMY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 12—Endowment (continued)

Endowment Net Asset Composition by Type of Fund as of June 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$ -	\$ -	\$ 3,046,444	\$ 3,046,444
Board designated endowment funds	1,745,326	-	-	1,745,326
Total funds	<u>\$ 1,745,326</u>	<u>\$ -</u>	<u>\$ 3,046,444</u>	<u>\$ 4,791,770</u>

Changes in Endowment Net Assets for the Year Ended June 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 1,417,703	\$ -	\$ 3,028,464	\$ 4,446,167
Investment activity:				
Interest and dividends	68,391	-	-	68,391
Net appreciation	529,748	-	-	529,748
Investment fees	(13,014)	-	-	(13,014)
Total investment activity	<u>585,125</u>	<u>-</u>	<u>-</u>	<u>585,125</u>
Contributions	<u>-</u>	<u>-</u>	<u>17,980</u>	<u>17,980</u>
Appropriations	<u>(257,502)</u>	<u>-</u>	<u>-</u>	<u>(257,502)</u>
Endowment net assets, end of year	<u>\$ 1,745,326</u>	<u>\$ -</u>	<u>\$ 3,046,444</u>	<u>\$ 4,791,770</u>

Endowment Investment Policy and Risk Parameters – The Academy has adopted investment and spending policies for endowment assets to support the Academy and its mission over the long term, through the preservation of cash and reserves, while producing market-level income. Endowment assets include those assets of donor-restricted funds that the Academy must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Trustees, the general policy is to diversify investments among both equity and fixed income securities so as to enhance total return while avoiding undue risk concentration in any investment class. The endowment assets are to be allocated among certain pre-specified asset classes, including domestic equity, domestic fixed income, international equity, international fixed income, real estate, venture capital, and private equity. Investments of a single issuer may not exceed 5% of the total market value of the endowment, with the exception of U.S. government holdings.

Strategies Employed for Achieving Investment Objectives – To satisfy its long term objectives, the Academy relies on a strategy meant to preserve the principal of operating cash and reserves while producing market-level income. The objective is for the endowment to realize absolute rate-of-return of 5%, to realize rates of return commensurate with relative capital market measures, such as securities indices, and to achieve a total rate of return that is above median performance of similarly managed funds over a time period.

CURREY INGRAM ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 12—Endowment (continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy – The Academy has a policy of appropriating annual distributions up to 4% of the three year historical average of the endowment fund for scholarships and financial assistance.

Note 13—Letters of credit

At June 30, 2018 and 2017, the Academy maintained two letters of credit issued by a local financial institution totaling \$165,000. These letters of credit will be available in the event of noncompliance with certain performance bonds as required by Williamson County, Tennessee and the state of Tennessee.

Note 14—Deferred compensation plans

The Academy has a 403(b) tax deferred annuity plan covering substantially all employees. The employer matches eligible employee voluntary contributions up to 5% of the employee's gross salary. The Academy also has a 457(f) deferred compensation plan for a key employee.

During the years ended June 30, 2018 and 2017, total employer contributions to the plans were \$277,559 and \$301,620, respectively.

Note 15—Lease commitments

The Academy has leased copiers under lease arrangements classified as operating leases. Total rent expense for the years ended June 30, 2018 and 2017 was \$49,281 and \$75,213, respectively. The leases are payable in monthly payments and expire at various times through fiscal year 2019.

Note 16—Vanderbilt scholarship gift agreement

In 2004, one benefactor donated funds to the Vanderbilt University Endowment Fund under an agreement which states that any income, up to 4.5%, generated from this gift is to be given to the Currey Ingram Academy Scholarship Fund (the "Fund"). Qualified recipients of this scholarship were children of full-time employees of Vanderbilt University. Contributions from the Fund to the Academy during the years ended June 30, 2018 and 2017 totaled \$351,344 and \$288,429, respectively.

Note 17—Concentrations

The Academy's cash account balances at June 30, 2018 and 2017 exceeded Federal Deposit Insurance Corporation insurance limits. The Academy has not experienced any losses in such accounts and management believes the Academy is not exposed to any significant credit risk related to cash.

At June 30, 2018, 86% of the pledges receivable was due to the Academy from three donors. At June 30, 2017, 58% of the pledges receivable was due to the Academy from two donors. For the year ended June 30, 2018, contributions from three donors represented approximately 70% of total contributions received by the Academy. For the year ended June 30, 2017, contributions from two donors represented approximately 74% of total contributions received by the Academy. A significant reduction in the level of support from these donors could have an adverse effect on the operations of the Academy.

CURREY INGRAM ACADEMY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 18—Related party transactions

The Academy occasionally purchases goods or services at commercially reasonable rates from companies or organizations that are affiliated with or owned, directly or indirectly, by members of the Board of Trustees. All such purchases are reviewed and approved in accordance with the Academy's purchasing policy. For the years ended June 30, 2018 and 2017, the Academy incurred legal expenses totaling \$18,127 and \$4,392, respectively, from a law firm affiliated with a member of the Board of Trustees.

Note 19—Supplemental cash flow information

The following is supplemental cash flow information required by accounting principles generally accepted in the United States of America.

	2018	2017
Cash paid during the year for interest	<u>\$ 168,056</u>	<u>\$ 205,175</u>