

CURREY INGRAM ACADEMY

FINANCIAL STATEMENTS

June 30, 2009 and 2008

CURREY INGRAM ACADEMY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Currey Ingram Academy
Nashville, Tennessee

We have audited the accompanying statements of financial position of Currey Ingram Academy (the "Academy") as of June 30, 2009 and 2008, and the related statements of activities, functional expenses and cash flows for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 audits provide 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 Currey Ingram Academy as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Frasier, Dean & Howard PLLC

November 19, 2009

CURREY INGRAM ACADEMY
STATEMENTS OF FINANCIAL POSITION
June 30, 2009 and 2008

	Assets	2009	2008
Current assets:			
Cash and cash equivalents		\$ 3,434,308	\$ 5,968,672
Investments		3,054,690	3,539,009
Accounts receivable, net of allowance of \$358,500 and \$220,693, respectively		219,596	195,295
Current installments of pledges receivable, net of allowance of \$726,852 and \$658,531, respectively		2,115,143	1,002,868
Prepaid expenses		110,975	117,258
Total current assets		8,934,712	10,823,102
Pledges receivable, net of discount		1,613,750	982,334
Property and equipment, net of accumulated depreciation of \$6,526,622 and \$5,653,626, respectively		28,726,671	20,392,707
Other assets		100,471	104,751
Total assets		<u>\$ 39,375,604</u>	<u>\$ 32,302,894</u>
Liabilities and Net Assets			
Current liabilities:			
Current installments of bonds payable		\$ 320,000	\$ 310,000
Accounts payable		894,891	705,135
Deferred revenues		1,467,345	2,034,773
Estimated fair value of interest rate swap agreement		341,960	149,445
Accrued expenses and other		892,351	762,119
Total current liabilities		3,916,547	3,961,472
Note payable		2,678,326	-
Bonds payable, net of current installments		5,730,000	6,050,000
Total liabilities		12,324,873	10,011,472
Net assets:			
Unrestricted		20,860,390	15,985,331
Temporarily restricted		3,421,778	3,672,085
Permanently restricted		2,768,563	2,634,006
Total net assets		27,050,731	22,291,422
Total liabilities and net assets		<u>\$ 39,375,604</u>	<u>\$ 32,302,894</u>

See accompanying notes.

CURREY INGRAM ACADEMY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support and revenue:				
Contributions	<u>\$ 788,707</u>	<u>\$ 6,962,912</u>	<u>\$ 168,580</u>	<u>\$ 7,920,199</u>
Revenue:				
Tuition	9,071,036	-	-	9,071,036
Dewar's tuition refund	202,471	-	-	202,471
Diagnostic center	172,218	-	-	172,218
Investment interest and dividends	170,486	-	-	170,486
Student activities income	155,198	-	-	155,198
Child development center	120,025	-	-	120,025
Aftercare income	118,662	-	-	118,662
Student fees	99,093	-	-	99,093
Application and enrollment fees	96,423	-	-	96,423
Other	83,102	-	-	83,102
In-kind income	50,557	-	-	50,557
Finance charge income	47,622	-	-	47,622
Net assets released from restrictions	<u>7,247,242</u>	<u>(7,213,219)</u>	<u>(34,023)</u>	<u>-</u>
Total revenue	<u>17,634,135</u>	<u>(7,213,219)</u>	<u>(34,023)</u>	<u>10,386,893</u>
Unrealized loss on investments	<u>(671,902)</u>	<u>-</u>	<u>-</u>	<u>(671,902)</u>
Total support, revenue and investment losses	<u>17,750,940</u>	<u>(250,307)</u>	<u>134,557</u>	<u>17,635,190</u>
Expenses:				
Program services	<u>9,049,567</u>	<u>-</u>	<u>-</u>	<u>9,049,567</u>
Supporting services:				
Management and general	3,214,862	-	-	3,214,862
Fundraising	<u>611,452</u>	<u>-</u>	<u>-</u>	<u>611,452</u>
Total supporting services	<u>3,826,314</u>	<u>-</u>	<u>-</u>	<u>3,826,314</u>
Total expenses	<u>12,875,881</u>	<u>-</u>	<u>-</u>	<u>12,875,881</u>
Change in net assets	4,875,059	(250,307)	134,557	4,759,309
Net assets at beginning of year	<u>15,985,331</u>	<u>3,672,085</u>	<u>2,634,006</u>	<u>22,291,422</u>
Net assets at end of year	<u>\$20,860,390</u>	<u>\$ 3,421,778</u>	<u>\$ 2,768,563</u>	<u>\$27,050,731</u>

See accompanying notes.

CURREY INGRAM ACADEMY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support and revenue:				
Contributions	<u>\$ 1,749,295</u>	<u>\$ 3,244,658</u>	<u>\$ 113,565</u>	<u>\$ 5,107,518</u>
Revenue:				
Tuition	7,519,416	-	-	7,519,416
Investment interest and dividends	304,498	-	-	304,498
Diagnostic center	185,190	-	-	185,190
In-kind income	172,144	-	-	172,144
Student activities income	161,000	-	-	161,000
Dewar's tuition refund	143,362	-	-	143,362
Application and enrollment fees	129,700	-	-	129,700
Other	109,004	-	-	109,004
Aftercare income	96,999	-	-	96,999
Child development center	86,657	-	-	86,657
Student fees	63,224	-	-	63,224
Finance charge income	33,931	-	-	33,931
Net assets released from restrictions	<u>2,428,616</u>	<u>(2,398,646)</u>	<u>(29,970)</u>	<u>-</u>
Total revenue	<u>11,433,741</u>	<u>(2,398,646)</u>	<u>(29,970)</u>	<u>9,005,125</u>
Unrealized loss on investments	<u>(184,455)</u>			<u>(184,455)</u>
Total support, revenue and investment losses	<u>12,998,581</u>	<u>846,012</u>	<u>83,595</u>	<u>13,928,188</u>
Expenses:				
Program services	<u>7,739,606</u>	<u>-</u>	<u>-</u>	<u>7,739,606</u>
Supporting services:				
Management and general	3,009,546	-	-	3,009,546
Fundraising	<u>602,343</u>	<u>-</u>	<u>-</u>	<u>602,343</u>
Total supporting services	<u>3,611,889</u>	<u>-</u>	<u>-</u>	<u>3,611,889</u>
Total expenses	<u>11,351,495</u>	<u>-</u>	<u>-</u>	<u>11,351,495</u>
Losses:				
Provision for loss on uncollectible contributions	<u>-</u>	<u>658,531</u>	<u>-</u>	<u>658,531</u>
Change in net assets	1,647,086	187,481	83,595	1,918,162
Net assets at beginning of year	<u>14,338,245</u>	<u>3,484,604</u>	<u>2,550,411</u>	<u>20,373,260</u>
Net assets at end of year	<u>\$15,985,331</u>	<u>\$ 3,672,085</u>	<u>\$ 2,634,006</u>	<u>\$22,291,422</u>

See accompanying notes.

CURREY INGRAM ACADEMY
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2009

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries, payroll taxes and other related expenses	\$ 5,398,652	\$ 1,551,128	\$ 422,985	\$ 7,372,765
Scholarship	1,069,255	-	-	1,069,255
Contract services	-	428,788	-	428,788
Interest	-	355,294	-	355,294
Technology	237,647	74,785	21,453	333,885
Utilities	251,112	2,562	2,562	256,236
Kitchen supplies and food	216,042	-	-	216,042
Other bond fees	-	206,270	-	206,270
Dewar's tuition and other insurance	203,274	-	-	203,274
Student activities	154,687	-	-	154,687
Materials and supplies	77,978	66,070	3,345	147,393
Bad debts	227,642	-	-	227,642
Insurance	-	114,505	-	114,505
Copier and printing	40,652	14,493	41,060	96,205
Events	19,001	44,546	21,643	85,190
Rent	70,250	717	717	71,684
Consulting	45,062	12,850	8,884	66,796
Advertising	255	998	55,069	56,322
Bank charges	978	50,067	-	51,045
In-kind expense	-	50,557	-	50,557
Textbooks	41,997	-	-	41,997
Professional development	30,510	7,222	2,908	40,640
Vehicle	111	35,280	63	35,454
Letters of credit fees	-	32,307	-	32,307
Legal	-	28,385	-	28,385
Dues and subscriptions	7,616	17,014	2,725	27,355
Athletics	26,648	-	-	26,648
Board and school hospitality	7,184	12,396	6,123	25,703
Travel and entertainment	12,847	7,124	3,681	23,652
Postage	5,210	7,036	6,663	18,909
Accounting and auditing	-	16,450	-	16,450
Testing	16,141	-	-	16,141
Repairs and maintenance	1,161	12,812	-	13,973
Trash removal	-	13,901	-	13,901
Miscellaneous	520	12,409	-	12,929
Equipment rental	-	12,312	-	12,312
Small equipment	6,407	4,656	-	11,063
Collection fees	7,891	-	-	7,891
Membership fees	1,984	4,432	710	7,126
Search expense	177	6,824	-	7,001
Counseling	6,061	-	-	6,061
Discretionary fund	2,073	1,382	2,073	5,528
Permits and licenses	1,312	502	-	1,814
Total expenses before depreciation and amortization	8,188,337	3,206,074	602,664	11,997,075
Depreciation and amortization	861,230	8,788	8,788	878,806
	<u>\$ 9,049,567</u>	<u>\$ 3,214,862</u>	<u>\$ 611,452</u>	<u>\$ 12,875,881</u>

See accompanying notes.

CURREY INGRAM ACADEMY
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2008

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries, payroll taxes and other related expenses	\$ 4,772,997	\$ 1,502,019	\$ 430,863	\$ 6,705,879
Scholarship	798,714	-	-	798,714
Technology	235,040	73,965	21,217	330,222
Contract services	-	314,572	-	314,572
Interest	-	242,289	-	242,289
Utilities	191,739	1,957	1,957	195,653
Kitchen supplies and food	173,977	-	-	173,977
In-kind expense	-	172,144	-	172,144
Other bond fees	-	161,145	-	161,145
Materials and supplies	78,237	66,289	3,356	147,882
Dewar's tuition and other insurance	143,380	-	-	143,380
Insurance	-	127,701	-	127,701
Student activities	104,663	-	-	104,663
Consulting	58,558	16,698	11,544	86,800
Copier and printing	33,216	11,842	33,550	78,608
Rent	72,806	743	743	74,292
Events	14,937	35,019	17,014	66,970
Letters of credit fees	-	65,300	-	65,300
Professional development	48,904	11,577	4,661	65,142
Advertising	204	797	44,020	45,021
Collection fees	38,269	-	-	38,269
Vehicle	116	36,696	66	36,878
Travel and entertainment	19,855	11,010	5,689	36,554
Textbooks	34,376	-	-	34,376
Board and school hospitality	7,724	13,328	6,583	27,635
Testing	26,013	-	-	26,013
Bank charges	426	21,816	-	22,242
Dues, subscriptions and library	5,994	13,392	2,145	21,531
Accounting and auditing	-	20,632	-	20,632
Postage	4,943	6,676	6,322	17,941
Athletics	15,379	-	-	15,379
Trash removal	-	14,329	-	14,329
Counseling	14,156	-	-	14,156
Legal	-	13,480	-	13,480
Repairs and maintenance	1,074	11,853	-	12,927
Membership fees	3,468	7,747	1,241	12,456
Equipment rental	-	10,784	-	10,784
Search expense	238	9,171	-	9,409
Discretionary fund	2,880	1,920	2,880	7,680
Small equipment	4,140	3,009	-	7,149
Permits and licenses	785	300	-	1,085
Miscellaneous	161	854	-	1,015
Total expenses before depreciation and amortization	6,907,369	3,001,054	593,851	10,502,274
Depreciation and amortization	832,237	8,492	8,492	849,221
	<u>\$ 7,739,606</u>	<u>\$ 3,009,546</u>	<u>\$ 602,343</u>	<u>\$ 11,351,495</u>

See accompanying notes.

CURREY INGRAM ACADEMY
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Change in net assets:	\$ 4,759,309	\$ 1,918,162
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	872,996	840,912
Amortization	5,810	8,309
Unrealized loss on investments	671,902	184,455
Investment fees deducted from investments	-	13,175
Allowance for bad debts	206,128	655,761
Contributions restricted for long-term purposes	(4,582,738)	(3,067,247)
Changes in operating assets and liabilities:		
Accounts receivable	(162,108)	(56,989)
Pledges receivable	(1,812,012)	97,408
Prepaid expenses	6,283	24,069
Other assets	(1,530)	(2,389)
Accounts payable	189,756	563,000
Deferred revenues	(567,428)	771,929
Change in fair value of interest rate swap agreement	192,515	149,445
Accrued expenses	130,232	26,813
Net cash (used in) provided by operating activities	<u>(90,885)</u>	<u>2,126,813</u>
Cash flows from investing activities:		
Purchase of investments	(989,807)	(431,309)
Proceeds from sale of investments	802,224	291,835
Proceeds from contributions restricted for long-term purposes	4,582,738	3,233,500
Purchase of property and equipment	(9,206,960)	(2,371,699)
Net cash (used in) provided by investing activities	<u>(4,811,805)</u>	<u>722,327</u>
Cash flows from financing activities:		
Payments of bonds payable	(310,000)	(300,000)
Borrowings on note payable	2,678,326	-
Net cash provided by (used in) financing activities	<u>2,368,326</u>	<u>(300,000)</u>
Net (decrease) increase in cash and cash equivalents	(2,534,364)	2,549,140
Cash and cash equivalents at beginning of year	<u>5,968,672</u>	<u>3,419,532</u>
Cash and cash equivalents at end of year	<u><u>\$ 3,434,308</u></u>	<u><u>\$ 5,968,672</u></u>
Supplemental disclosure of cash flow information:		
Interest paid	<u><u>\$ 355,294</u></u>	<u><u>\$ 242,289</u></u>

See accompanying notes.

CURREY INGRAM ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Currey Ingram Academy (“the Academy”) is a nonprofit 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.

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 and are charged to bad debts. At June 30, 2009 and 2008 an allowance of \$358,500 and \$220,693 for bad debts has been estimated and recorded, respectively.

CURREY INGRAM ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2009 and 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Allocated Expenses

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

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 certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Accordingly, actual results could differ from those estimates.

Property and Equipment

Property and equipment are recorded at cost. 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

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.

CURREY INGRAM ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2009 and 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledges Receivable (Continued)

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, 2009 and 2008, the allowance totaled \$726,852 and \$658,531, respectively.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense totaled \$56,322 and \$45,021 for the years ended June 30, 2009 and 2008, 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 fund-raising and special projects. However, these services do not meet the requirements above and have not been recorded.

Donations of property and equipment are recorded as support at their estimated fair value. 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.

CURREY INGRAM ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2009 and 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivative Instruments and Hedging Activities

The Academy has adopted Statement of Financial Accounting Standards (“SFAS”) No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended. SFAS No. 133 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. SFAS No. 133 requires that changes in the derivative’s fair value be recognized currently in the statements of activities. On September 20, 2007, the Academy entered an interest rate swap agreement, effective October 1, 2007 which was considered to be a derivative. The swap agreement matures October 1, 2015.

Investments

The Academy accounts for investments under the provisions of SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investment in debt securities are valued at their fair values in the statement 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.

Restricted Endowment Funds

During 2008, the Staff of the Financial Accounting Standards Board (“FASB”) issued FASB Staff Position No. FAS 117-1 *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* (“FSP 117-1”). The provisions of the FSP are effective for fiscal years ending after December 15, 2008. As a result, the Academy adopted FSP 117-1 during fiscal year 2009. The related Uniform Prudent Management Institutional Funds Act (“UPMIFA”) was enacted in Tennessee effective July 1, 2007. This FSP 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. It also requires disclosure of a description of the governing board’s interpretation of the law that underlies the 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 not previously required.

CURREY INGRAM ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2009 and 2008

NOTE 2 – FAIR VALUE MEASUREMENT OF INVESTMENTS

Effective January 1, 2008, the Academy adopted the provisions of SFAS No. 157, *Fair Value Measurements*. SFAS No. 157 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 under SFAS No. 157 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;
- 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.

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.

Investments of the Academy are stated at fair value, segregated by level of valuation, and consist of the following at June 30:

	<u>2009</u>		<u>2008</u>	
	Quoted Prices in Active Markets for Identical Items (Level 1)		Quoted Prices in Active Markets for Identical Items (Level 1)	
	Fair Market Value		Fair Market Value	
Mutual funds – equity funds	\$ 1,406,627	\$ 1,406,627	\$ 2,252,894	\$ 2,252,894
Mutual funds – bond funds	1,025,557	1,025,557	1,286,115	1,286,115
Trusts held by third parties	<u>622,506</u>	<u>622,506</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,054,690</u>	<u>\$ 3,054,690</u>	<u>\$ 3,539,009</u>	<u>\$ 3,539,009</u>

CURREY INGRAM ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2009 and 2008

NOTE 2 – FAIR VALUE MEASUREMENT OF INVESTMENTS (Continued)

The following schedule summarizes the unrestricted investment return at June 30:

	<u>2009</u>	<u>2008</u>
Interest and dividends	\$ 170,486	\$ 304,498
Unrealized losses	<u>(671,902)</u>	<u>(184,455)</u>
Net investment (loss) gain	<u>\$ (501,416)</u>	<u>\$ 120,043</u>

NOTE 3 – PLEDGES RECEIVABLE

The Academy has received pledges for contributions for the construction of new buildings on campus, the scholarship endowment and the unrestricted annual fund. The discount rates used to determine the present value of pledge contributions receivable ranged from 3.47% to 5.38% at June 30, 2009 and from 4.68% to 5.40% at June 30, 2008.

The following are the future maturities of pledges receivable at June 30, 2009:

Year ending <u>June 30,</u>	
2010	\$ 2,841,995
2011	972,000
2012	750,000
2013	<u>100,000</u>
Gross pledges receivable	4,663,995
Less: discount to net present value	<u>(208,250)</u>
Present value of pledges receivable	4,455,745
Less: allowance for uncollectible pledges	<u>(726,852)</u>
Pledges receivable, net	<u>\$ 3,728,893</u>

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	<u>2009</u>	<u>2008</u>
Buildings	\$ 27,975,760	\$ 17,805,521
Land	2,986,766	2,986,766
Furniture and equipment	3,238,973	2,399,523

CURREY INGRAM ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2009 and 2008

NOTE 4 – PROPERTY AND EQUIPMENT (Continued)

Vehicles	173,526	164,566
Building improvements	109,565	87,252
Grounds equipment	63,427	48,726
Land improvements	39,917	33,544
Construction in progress	<u>665,359</u>	<u>2,520,435</u>
	35,253,293	26,046,333
Less accumulated depreciation	<u>(6,526,622)</u>	<u>(5,653,626)</u>
	<u>\$ 28,726,671</u>	<u>\$ 20,392,707</u>

During fiscal year 2009 and 2008, respectively, the Academy incurred costs amounting to \$665,359, and \$2,520,435 which have been capitalized as construction in progress. At June 30, 2009, these costs consist of architect and engineering fees, construction materials and builder fees incurred related to the expansion of the gymnasium. The Academy intends to finance the project through capital campaign contributions. The anticipated cost for the gymnasium expansion is approximately \$3.9 million. At June 30, 2008 the construction in progress costs consisted of architect and engineering fees, construction materials and builder fees incurred related to the construction of the Upper School building. This project was completed during 2009.

For the years ended June 30, 2009 and 2008, the Academy had depreciation expense of \$872,996 and \$840,912, respectively.

NOTE 5 – OTHER ASSETS

At June 30, 2009 and 2008, other assets consisted of the following:

	<u>2009</u>	<u>2008</u>
Bond issuance costs	\$ 78,695	\$ 78,695
Accumulated amortization on bond costs	(24,592)	(20,657)
Underwriters' discount	37,500	37,500
Accumulated amortization on discount	(11,719)	(9,844)
Inventory	<u>20,587</u>	<u>19,057</u>
Total	<u>\$ 100,471</u>	<u>\$ 104,751</u>

CURREY INGRAM ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2009 and 2008

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 bear interest at a fixed rate in accordance with the SWAP agreement (described in Note 9) plus a variable rate. The variable interest rate is adjusted weekly based upon LIBOR plus an agreed upon factor. Interest is due monthly on the last business day of each month.

Subsequent to June 30, 2009, the bonds payable were refinanced. Maturities of bonds payable subsequent to the refinancing described in Note 18 are as follows:

Year ending June 30,	Annual Principal Amount
2010	\$ 320,000
2011	335,000
2012	350,000
2013	360,000
2014	370,000
Thereafter	<u>4,315,000</u>
	<u>\$ 6,050,000</u>

The Academy is required to meet certain financial and nonfinancial covenants as specified in the bond documents. For the year ended June 30, 2009, the Academy met all financial covenants.

NOTE 7 – LOAN AGREEMENT

Effective September 24, 2008, the Industrial Development Board of Williamson County, Tennessee ("IDB") issued \$7 million of revenue bonds to a financial institution to fund the Academy's Upper School construction project and the future expansion of gym facilities. Effective November 20, 2008, the financial institution entered into a loan agreement with the Academy, allowing borrowings up to \$7 million to fund construction projects. Interest on the outstanding principal balance is calculated at a rate of 3.86%, and all principal amounts outstanding under the agreement are due as of the maturity date of November 1, 2016. At June 30, 2009, amounts outstanding under this agreement totaled \$2,678,326. The Academy is required to meet certain financial and nonfinancial covenants as specified in the loan agreement. For the year ended June 30, 2009, the Academy was in compliance with all financial covenants. Subsequent to June 30, 2009, interest is calculated at a variable rate.

NOTE 8 – LINE OF CREDIT

At June 30, 2009 and 2008, the Academy maintained an unsecured \$250,000 line of credit with a financial institution. The line of credit bears interest at a variable rate determined by the institution's prime rate. No amounts were outstanding under this agreement at June 30, 2009 or 2008.

CURREY INGRAM ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2009 and 2008

NOTE 9 – INTEREST RATE SWAP AGREEMENT

During 2008, the Academy entered into an interest rate swap transaction in connection with the bonds payable to hedge against future changes in interest rates. Details of the interest rate swap agreement as of June 30, 2009 are as follows:

<u>Description</u>	<u>Termination Date</u>	<u>Notional Amount</u>	<u>Fair Value at June 30, 2009</u>
Interest rate swap agreement swapping a variable rate for a fixed rate of 3.67%.	October 1, 2015	\$ 6,050,000	\$ (341,960)

The Academy accounted for this interest rate swap agreement in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended, whereby the fair value of the liability of \$341,960 as of June 30, 2009 has been presented in the accompanying statement of financial position. The statement of activities for the year ended June 30, 2009 includes expense of \$192,515 to reflect the change in the valuation of the interest rate swap agreement.

NOTE 10 – UNRESTRICTED NET ASSETS

The Board of Trustees has placed voluntary designations on certain unrestricted net assets. A summary of unrestricted net assets at June 30, 2009 and 2008 is as follows:

	<u>2009</u>	<u>2008</u>
Board designated:		
Deferred maintenance	\$ 103,618	\$ -
Undesignated	<u>20,756,772</u>	<u>15,985,331</u>
	<u>\$ 20,860,390</u>	<u>\$ 15,985,331</u>

NOTE 11 – TEMPORARILY RESTRICTED NET ASSETS

The Academy has received contributions from donors with the stipulation that such contributions are to be used for future scholarships, capital purchases and other designated uses.

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

	<u>2009</u>	<u>2008</u>
Capital purchases	\$ 3,298,548	\$ 3,451,546
Scholarship	123,230	220,039
Other	<u>-</u>	<u>500</u>
	<u>\$ 3,421,778</u>	<u>\$ 3,672,085</u>

CURREY INGRAM ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2009 and 2008

NOTE 12 – PERMANENTLY RESTRICTED NET ASSETS

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

	<u>2009</u>	<u>2008</u>
Scholarship and other	<u>\$ 2,768,563</u>	<u>\$ 2,634,006</u>

The dividend and interest income earned on permanently restricted net assets is available to the Academy on an unrestricted basis. The Academy's endowment consists of donor restricted gifts held in investment accounts. As required 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.

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 organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

2009 Endowment Net Asset Composition by Type of Fund as of June 30, 2009:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,768,563</u>	<u>\$ 2,768,563</u>

Changes in Endowment Net Assets for the fiscal year ended June 30, 2009:

Endowment net assets, beginning of year	\$ -	\$ -	\$ 2,634,006	\$ 2,634,006
Contributions, net	<u>-</u>	<u>-</u>	<u>134,557</u>	<u>134,557</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,768,563</u>	<u>\$ 2,768,563</u>

CURREY INGRAM ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2009 and 2008

NOTE 12 – PERMANENTLY RESTRICTED NET ASSETS (Continued)

2008 Endowment Net Asset Composition by Type of Fund as of June 30, 2008:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$ -	\$ 2,634,006	\$ 2,634,006

Changes in Endowment Net Assets for the fiscal year ended June 30, 2008:

Endowment net assets, beginning of year	\$ -	\$ -	\$ 2,550,411	\$ 2,550,411
Contributions, net	-	-	83,595	83,595
Endowment net assets, end of year	\$ -	\$ -	\$ 2,634,006	\$ 2,634,006

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Academy to retain as a fund of perpetual duration. No endowment funds had fair values below the levels that the donor or UPMIFA required at June 30, 2009 or 2008.

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 organization 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.

CURREY INGRAM ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2009 and 2008

NOTE 12 – PERMANENTLY RESTRICTED NET ASSETS (Continued)

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.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Academy has a policy of appropriating dividend and interest income from the endowment fund for operational use.

NOTE 13 – LETTERS OF CREDIT

At June 30, 2009, 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. Previously, the Academy contributed 1.5% of the gross salary for each full-time employee and matched an additional 3.5% of any voluntary contribution from the employee. Effective January 1, 2009, the Academy contributes 1.5% of the gross salary for all eligible employees that have completed 12 months of service, as well as a matching contribution of 100% of each eligible employee's voluntary contributions, up to 5% of the employee's gross salary, upon completion of one month of service. During the years ended June 30, 2009 and 2008, total employer contributions to the plan were \$134,099 and \$108,857, respectively.

The Academy also has a 457(f) deferred compensation plan for a key employee. Related accrued compensation expense as of June 30, 2009 and 2008 was \$637,753 and \$741,934, respectively. During the years ended June 30, 2009 and 2008, total employer expense related to the plan was \$30,000 and \$15,508, respectively.

CURREY INGRAM ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2009 and 2008

NOTE 15 – LEASE COMMITMENTS

The Academy has leased several copiers, computers, portable classrooms and other equipment under lease arrangements classified as operating leases. Total rent expense for the years ended June 30, 2009 and 2008 was \$338,018 and \$318,192, respectively. The leases are payable in monthly payments and expire at various times through September 2015. Future minimum lease payments are as follows:

Year ending <u>June 30,</u>	
2010	\$ 128,840
2011	110,040
2012	32,917
2013	17,448
2014	10,704
Thereafter	<u>546</u>
Total	<u>\$ 300,495</u>

The Academy also leases computers under a noncancelable lease that is classified as a capital lease. The lease agreement contains a bargain purchase option at the end of the lease term, and expires in 2011. During fiscal 2009, the computers under this capital lease were recorded as equipment purchases totaling \$316,750, which is the present value of the required lease payments.

Future minimum lease payments under the capital lease are as follows:

Year ending <u>June 30,</u>	
2010	\$ 111,360
2011	<u>111,361</u>
Total future lease payments	222,721
Less: discount to present value	<u>(17,331)</u>
Present value of future minimum lease payments	<u>\$ 205,390</u>

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. Qualified recipients of this scholarship are children of full-time employees of Vanderbilt University. Contributions from Vanderbilt in the years ended June 30, 2009 and 2008 totaled \$320,445 and \$279,609, respectively.

CURREY INGRAM ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2009 and 2008

NOTE 17 – CONCENTRATIONS

The Academy's cash account balances at June 30, 2009 and 2008 exceeded Federal Deposit Insurance Corporation ("FDIC") 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, 2009, 54% of the pledges receivable were due to the Academy by two donors. At June 30, 2008, 67% of the pledges receivable were due to the Academy by four donors. For the year ended June 30, 2009, contributions from four donors represented approximately 77% of total contributions received by the Academy. For the year ended June 30, 2008, contributions from one donor represented approximately 27% of total contributions received by the Academy.

NOTE 18 – RELATED PARTY TRANSACTIONS

The Academy occasionally purchases goods or services from companies or organizations that are affiliated with or owned, directly or indirectly, by members of the Board of Trustees.

NOTE 19 – SUBSEQUENT EVENT

Subsequent to June 30, 2009, the bonds payable were refinanced through an agreement with the Industrial Development Board ("IDB"). Under this agreement, effective October 1, 2009, 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. Debt maturities in Note 6 have been revised to present the refinanced bond payable maturity schedule as of June 30, 2009. Interest is due monthly under the new agreement at a variable rate based on LIBOR. The maturity date of the agreement is April 1, 2023.