CURREY INGRAM ACADEMY

FINANCIAL STATEMENTS

June 30, 2012 and 2011

CURREY INGRAM ACADEMY

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FRASIERDEAN HOWARDCPAs

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of financial position of Currey Ingram Academy (the "Academy") (a not-for-profit organization) as of June 30, 2012 and 2011, 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 audits 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, 2012 and 2011, 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

December 5, 2012

CURREY INGRAM ACADEMY
STATEMENTS OF FINANCIAL POSITION
June 30, 2012 and 2011

Assets

	2012	2011
Current assets:		
Cash and cash equivalents	$ 2,052,687	$ 2,512,492
Investments	3,340,350	4,283,732
Accounts receivable, net of allowance of $660,098 and $528,332, respectively	263,860	390,582
Current installments of pledges receivable, net of allowance of $298,357 and $45,725, respectively	95,157	688,176
Prepaid expenses	77,146	96,543
Total current assets	5,829,200	7,971,525
Pledges receivable, net of discount	3,154	167,435
Property and equipment, net of accumulated depreciation of $10,836,610 and $9,228,978, respectively	29,882,965	30,543,091
Other assets	129,716	136,064
Total assets	$ 35,845,035	$ 38,818,115

Liabilities and Net Assets

	2012	2011
Current liabilities:		
Current installments of bonds payable	$ 360,000	$ 350,000
Accounts payable	441,056	370,754
Deferred revenues	2,399,084	2,524,461
Estimated fair value of interest rate swap agreement	476,827	502,812
Accrued expenses and other	122,343	1,175,837
Total current liabilities	3,799,310	4,923,864
Note payable	1,655,876	2,155,876
Bonds payable, net of current installments	4,740,000	5,100,000
Total liabilities	10,195,186	12,179,740
Net assets:		
Unrestricted	22,717,063	22,925,708
Temporarily restricted	132,160	916,477
Permanently restricted	2,800,626	2,796,190
Total net assets	25,649,849	26,638,375
Total liabilities and net assets	$ 35,845,035	$ 38,818,115

See accompanying notes.

CURREY INGRAM ACADEMY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support:				
Contributions	$ 903,244	$ 1,311,628	$ 4,436	$ 2,219,308
Revenue:				
Tuition	10,817,176	-	-	10,817,176
Diagnostic center	270,635	-	-	270,635
Dewar's tuition refund	224,857	-	-	224,857
Child development center	186,888	-	-	186,888
Student activities income	167,441	-	-	167,441
Aftercare income	150,072	-	-	150,072
Application and enrollment fees	137,350	-	-	137,350
Other	132,189	-	-	132,189
Student fees	112,200	-	-	112,200
Investment interest and dividends	72,860	-	-	72,860
Finance charge income	35,128	-	-	35,128
In-kind income	9,932	-	-	9,932
Loss of sale of assets	(10)	-	-	(10)
Net assets released from restrictions	2,095,945	(2,095,945)	-	-
Total revenue	14,412,663	(2,095,945)	-	12,316,718
Unrealized loss on investments	(31,129)	-	-	(31,129)
Total public support, revenue and investment loss	15,284,778	(784,317)	4,436	14,504,897
Expenses:				
Program services	13,527,854	-	-	13,527,854
Supporting services:				
Management and general	1,349,454	-	-	1,349,454
Fundraising	616,115	-	-	616,115
Total supporting services	1,965,569	-	-	1,965,569
Total expenses	15,493,423	-	-	15,493,423
Change in net assets	(208,645)	(784,317)	4,436	(988,526)
Net assets at beginning of year	22,925,708	916,477	2,796,190	26,638,375
Net assets at end of year	$22,717,063	$ 132,160	$ 2,800,626	$25,649,849

See accompanying notes.

CURREY INGRAM ACADEMY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support:				
Contributions	$ 1,206,487	$ 1,828,618	$ 14,105	$ 3,049,210
Revenue:				
Tuition	9,043,167	-	-	9,043,167
Diagnostic center	190,585	-	-	190,585
Dewar's tuition refund	186,494	-	-	186,494
Student activities income	140,321	-	-	140,321
Student fees	132,752	-	-	132,752
Application and enrollment fees	128,500	-	-	128,500
Aftercare income	123,359	-	-	123,359
Child development center	116,762	-	-	116,762
Other	102,916	-	-	102,916
Investment interest and dividends	76,669	-	-	76,669
In-kind income	38,844	-	-	38,844
Finance charge income	14,457	-	-	14,457
Gain on sale of assets	6,327	-	-	6,327
Net assets released from restrictions	1,858,854	(1,858,854)	-	-
Total revenue	12,160,007	(1,858,854)	-	10,301,153
Unrealized gain on investments	490,279	-	-	490,279
Total public support, revenue and investment gain	13,856,773	(30,236)	14,105	13,840,642
Expenses:				
Program services	12,387,827	-	-	12,387,827
Supporting services:				
Management and general	924,145	-	-	924,145
Fundraising	582,233	-	-	582,233
Total supporting expenses	1,506,378	-	-	1,506,378
Total expenses	13,894,205	-	-	13,894,205
Change in net assets	(37,432)	(30,236)	14,105	(53,563)
Net assets at beginning of year	22,963,140	946,713	2,782,085	26,691,938
Net assets at end of year	$22,925,708	$ 916,477	$ 2,796,190	$26,638,375

See accompanying notes.

CURREY INGRAM ACADEMY
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2012

		Supporting Services		
	Program Services	Management and General	Fundraising	Total
Salaries	$ 5,689,783	$ 469,308	$ 395,216	$ 6,554,307
Contract services	1,467,454	263,970	15,436	1,746,860
Financial aid	1,542,447	-	-	1,542,447
Payroll taxes and employee benefits	925,274	76,318	64,270	1,065,862
Bad debt	437,853	-	-	437,853
Utilities	395,306	-	-	395,306
Investment and debt fees	374,168	542	-	374,710
Materials and supplies	190,231	138,472	16,853	345,556
Legal fees	-	277,895	-	277,895
Dewar's tuition and other insurance	224,857	-	-	224,857
Student activities	154,863	135	10,538	165,536
Advertising and public relations	36,749	46,672	62,117	145,538
Insurance	131,570	-	-	131,570
Copier	90,070	-	-	90,070
Technology	66,839	4,531	3,775	75,145
Professional development	32,029	1,173	25,320	58,522
Miscellaneous	47,338	10,404	138	57,880
Equipment	18,184	23,463	-	41,647
Membership, subscriptions, books, and dues	29,519	3,051	3,597	36,167
Entertainment and hospitality	24,201	1,872	9,659	35,732
Athletic	25,007	-	2,882	27,889
Audit	-	26,259	-	26,259
Postage	5,888	4,694	5,664	16,246
Permits and licenses	1,173	695	650	2,518
Total expenses before depreciation and amortization	11,910,803	1,349,454	616,115	13,876,372
Depreciation and amortization	1,617,051	-	-	1,617,051
	$13,527,854	$ 1,349,454	$ 616,115	$ 15,493,423

See accompanying notes.

CURREY INGRAM ACADEMY
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2011

		Supporting Services		
	Program Services	Management and General	Fundraising	Total
Salaries	$ 5,311,744	$ 440,213	$ 381,547	$ 6,133,504
Contract services	1,292,437	126,896	-	1,419,333
Financial aid	1,301,122	-	-	1,301,122
Payroll taxes and employee benefits	919,457	76,200	66,045	1,061,702
Investment and debt fees	395,881	516		396,397
Materials and supplies	188,821	177,509	22,279	388,609
Utilities	341,570	-	-	341,570
Dewar's tuition and other insurance	186,494	-	-	186,494
Student activities	150,391	-	-	150,391
Advertising and public relations	50,718	23,647	75,133	149,498
Insurance	130,975	-	-	130,975
Technology	102,468	7,999	4,548	115,015
Bad debt	101,019	-	-	101,019
Miscellaneous	76,183	13,072	-	89,255
Professional development	73,200	2,587	11,279	87,066
Copier	83,298	-	-	83,298
Entertainment and hospitality	43,930	2,636	9,109	55,675
Membership, subscriptions, books, and dues	24,493	5,337	7,021	36,851
Legal fees	-	28,794	-	28,794
Audit	25,650	1,900	-	27,550
Postage	5,702	7,744	5,272	18,718
Athletic	10,926	-	-	10,926
Equipment	-	8,920	-	8,920
Permit and licenses	280	175		455
Total expenses before depreciation and amortization	10,816,759	924,145	582,233	12,323,137
Depreciation and amortization	1,571,068	-	-	1,571,068
	$ 12,387,827	$ 924,145	$ 582,233	$ 13,894,205

See accompanying notes.

CURREY INGRAM ACADEMY
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Change in net assets:	$ (988,526)	$ (53,563)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	1,607,632	1,561,649
Amortization	9,419	9,419
Unrealized loss (gain) on investments	31,129	(490,279)
Loss (gain) on sale of assets	10	(6,327)
Allowance for bad debts	437,853	101,019
Contributions restricted for long-term purposes	(1,064,881)	(849,174)
Changes in operating assets and liabilities:		
Accounts receivable	(5,044)	(245,511)
Pledges receivable	208,711	(66,876)
Prepaid expenses	19,397	71,342
Other assets	(3,071)	6,580
Accounts payable	70,302	46,692
Deferred revenues	(125,377)	693,825
Change in estimated fair value of interest rate swap agreement	(25,985)	(1,987)
Accrued expenses and other	(932,415)	58,177
Net cash (used in) provided by operating activities	(760,846)	834,986
Cash flows from investing activities:		
Purchase of investments	(47,512)	(1,836,803)
Proceeds from sale of investments	959,765	1,642,669
Proceeds from sale of property and equipment	-	103,185
Purchases of property and equipment	(947,516)	(344,800)
Net cash used in investing activities	(35,263)	(435,749)
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term purposes	1,307,383	1,703,337
Payments of bonds payable	(350,000)	(335,000)
Payments on note payable	(500,000)	(1,100,000)
Payments on capital lease	(121,079)	(133,461)
Net cash provided by financing activities	336,304	134,876
Net (decrease) increase in cash and cash equivalents	(459,805)	534,113
Cash and cash equivalents at beginning of year	2,512,492	1,978,379
Cash and cash equivalents at end of year	$ 2,052,687	$ 2,512,492
Supplemental disclosure of cash flow information:		
Interest paid	$ 333,960	$ 353,818
Non-cash investing and financing activities:		
Equipment purchased through capital lease obligation	$ -	$ 379,614

See accompanying notes.

NOTE 1 – 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:

> <u>Unrestricted net assets</u> – Net assets that are not subject to donor-imposed stipulations.
>
> <u>Temporarily restricted net assets</u> – 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.
>
> <u>Permanently restricted net assets</u> – 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. Cash and cash equivalents include a debt service reserve of $250,000 which is maintained in accordance with a bond agreement.

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, 2012 and 2011 an allowance of $660,098 and $528,332 for bad debts has been estimated and recorded, respectively.

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.

The Academy follows Financial Accounting Standards Board Accounting Standards Codification ("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 fifty percent likely of being realized upon ultimate settlement. The Academy has no tax penalties or interest reported in the accompanying financial statements. Tax years that remain open for examination include years ended June 30, 2009 through June 30, 2012.

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.

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.

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:

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (Continued)

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.

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, 2012 and 2011, the allowance totaled $298,357 and $45,725, respectively.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense totaled $145,538 and $149,498 for the years ended June 30, 2012 and 2011, 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Materials, Services and Assets (Continued)

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.

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. Effective October 1, 2007, the Academy entered into an interest rate swap agreement which was considered to be a derivative. The swap agreement matures October 1, 2015.

Investments

The Academy accounts for investments under 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 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

The Uniform Prudent Management 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Endowment Funds (Continued)

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. See Note 13 for additional information regarding permanently restricted endowment funds.

Reclassifications

Certain reclassifications have been made to the June 30, 2011 statements to conform with the June 30, 2012 presentation.

NOTE 2 – FAIR VALUE MEASUREMENT OF INVESTMENTS

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;
- 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.

NOTE 2 – FAIR VALUE MEASUREMENT OF INVESTMENTS (Continued)

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, 2012 and 2011. A description of our valuation methodologies used for assets and liabilities measured at fair value is described below.

Investments in Commonfund – equity funds represent units of ownership in certain fund shares rather than individual securities. The Academy values these investments as level 2 because the specific units held do not have quoted prices and are not traded on an active market. However, the underlying assets of the fund are actively traded.

The fair value of mutual funds – bond funds and trusts held by third parties (level 1) were determined by obtaining quoted market prices in active markets.

The fair value of the swap liability (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 at fair value as of June 30, 2012:

	Level 1	Level 2	Level 3	Total
Investments:				
Commonfund – equity funds	$ -	$ 2,034,606	$ -	$ 2,034,606
Mutual funds – bond funds	1,305,744	-	-	1,305,744
Total investments at fair value	$ 1,305,744	$ 2,034,606	$ -	$ 3,340,350
Interest rate swap liability	$ -	$ (476,827)	$ -	$ (476,827)

NOTE 2 – FAIR VALUE MEASUREMENT OF INVESTMENTS (Continued)

The following table sets forth by level, within the fair value hierarchy, the Academy's assets at fair value as of June 30, 2011:

	Level 1	Level 2	Level 3	Total
Investments:				
Commonfund – equity funds	$ -	$ 2,111,277	$ -	$ 2,111,277
Mutual funds – bond funds	1,252,449	-	-	1,252,449
Trusts held by third parties	920,006	-	-	920,006
Total investments at fair value	$ 2,172,455	$ 2,111,277	$ -	$ 4,283,732
Interest rate swap liability	$ -	$ (502,812)	$ -	$ (502,812)

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

	2012	2011
Investment interest and dividends	$ 72,860	$ 76,669
Unrealized (losses) and gains	(31,129)	490,279
Net investment gain	$ 41,731	$ 566,948

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 rate used to determine the present value of pledge contributions receivable was 4.24% at June 30, 2012 and ranged from .88% to 4.9% at June 30, 2011.

The following are the future maturities of pledges receivable at June 30, 2012:

Year ending June 30,	
2013	$ 393,514
2014	2,400
2015	800
Gross pledge contribution receivable	396,714
Less: discount to net present value	(46)
Present value of pledge contribution receivable	396,668
Less: allowance for uncollectible pledges	(298,357)
Pledge contributions receivable, net	$ 98,311

NOTE 3 – PLEDGES RECEIVABLE (Continued)

Pledges receivable are scheduled to be received as follows:

	2012	2011
Receivable in less than one year	$ 95,157	$ 688,176
Receivable in one to five years	3,154	167,435
	$ 98,311	$ 855,611

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	2012	2011
Buildings	$ 32,176,205	$ 32,176,205
Furniture and equipment	3,890,510	3,667,553
Land	2,986,766	2,986,766
Building improvements	427,590	317,306
Land improvements	416,359	374,062
Vehicles	173,526	173,526
Grounds equipment	67,313	67,313
Construction in progress	581,306	9,338
	40,719,575	39,772,069
Less accumulated depreciation	(10,836,610)	(9,228,978)
	$ 29,882,965	$ 30,543,091

During fiscal years 2012 and 2011, respectively, the Academy incurred costs amounting to $581,306, and $9,338 which have been capitalized as construction in progress. At June 30, 2012, these costs consist of amounts capitalized for the construction of the student center and architect and engineering fees incurred related to the construction of a sports pavilion. At June 30, 2011, these costs consist of architect and engineering fees incurred related to the construction of a sports pavilion.

For the years ending June 30, 2012 and 2011, the Academy had depreciation expense of $1,607,632 and $1,561,649 respectively.

NOTE 5 – OTHER ASSETS

At June 30, 2012 and 2011, other assets consisted of the following:

	2012	2011
Bond issuance costs	$ 133,695	$ 133,695
Accumulated amortization on bond costs	(46,564)	(38,932)
Underwriters' discount	37,500	37,500
Accumulated amortization on discount	(17,101)	(15,314)
Inventory	22,186	19,115
Total	$ 129,716	$ 136,064

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 9) 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. Interest is due monthly under the new agreement at a variable rate based on LIBOR (1.84% at June 30, 2012). The maturity date of the agreement is April 1, 2023.

Maturities of bonds payable are as follows:

Year ending June 30,	Annual Principal Amount
2013	$ 360,000
2014	370,000
2015	385,000
2016	395,000
2017	400,000
Thereafter	3,190,000
	$ 5,100,000

NOTE 6 – BONDS PAYABLE (Continued)

The Academy is required to meet certain financial and nonfinancial covenants as specified in the bond documents. For the years ended June 30, 2012 and 2011, the Academy met all financial covenants.

NOTE 7 – NOTE PAYABLE

Effective September 24, 2008, the 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. In September 2009, the loan agreement was amended to provide for a principal amount up to $5.5 million and a change in the interest rate. Interest on the outstanding principal balance is calculated at a variable rate based on LIBOR (1.83%) and (1.80%) at June 30, 2012 and 2011, respectively. All principal amounts outstanding under the agreement are due as of the maturity date of November 1, 2016.

At June 30, 2012 and 2011, amounts outstanding under this agreement totaled $1,655,876 and $2,155,876, respectively. The Academy is required to meet certain financial and nonfinancial covenants as specified in the loan agreement. For the years ended June 30, 2012 and 2011, the Academy was in compliance with all financial covenants.

NOTE 8 – LINE OF CREDIT

At June 30, 2011, the Academy maintained an unsecured $250,000 line of credit with a financial institution. The line of credit had a variable interest rate determined by the institution's prime rate. No amounts were outstanding under this agreement at June 30, 2011. The line of credit, which expired in May 2012, was renewed subsequent to June 30, 2012 but before the date of this report at the same terms described above.

NOTE 9 – 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. Details of the interest rate swap agreement as of June 30, 2012 are as follows:

Description	Termination Date	Notional Amount	Estimated Fair Value at June 30, 2011
Interest rate swap agreement swapping a variable rate for a fixed rate of 3.49%.	October 1, 2015	$ 5,100,000	$ (476,827)

NOTE 9 – INTEREST RATE SWAP AGREEMENT (Continued)

The Academy accounted for this interest rate swap agreement 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 statement of activities for the years ended June 30, 2012 and 2011 includes $25,985 and $1,987 of income 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, 2012 and 2011 is as follows:

	2012	2011
Board designated:		
Deferred maintenance	$ 519,618	$ 129,618
Undesignated	22,197,445	22,796,090
	$ 22,717,063	$ 22,925,708

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 specified uses.

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

	2012	2011
Capital purchases	$ 100,000	$ 100,000
Pledges receivable – time restricted	32,160	686,195
Scholarship	-	115,185
Tennis program	-	15,097
	$ 132,160	$ 916,477

NOTE 12 – TEMPORARILY RESTRICTED CONTRIBUTIONS AND RELATED EXPENSES

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

	2012		2011	
	Contributions	Expenses/ Releases	Contributions	Expenses/ Releases
Capital purchases	$ 1,005,920	$ 1,005,920	$ 765,740	$ 765,740
Pledges receivable – time restricted	-	654,035	-	106,518
Scholarship	305,708	420,893	1,047,781	986,596
Tennis program	-	15,097	15,097	-
Total	$ 1,311,628	$ 2,095,945	$ 1,828,618	$ 1,858,854

NOTE 13 – PERMANENTLY RESTRICTED NET ASSETS

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

	2012	2011
Scholarship and other	$ 2,800,626	$ 2,796,190

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 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.

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.

CURREY INGRAM ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2012 and 2011

NOTE 13 – PERMANENTLY RESTRICTED NET ASSETS (Continued)

2012 Endowment Net Asset Composition by Type of Fund as of June 30, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ -	$ -	$ 2,800,626	$ 2,800,626

Changes in Endowment Net Assets for the fiscal year ended June 30, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ -	$ 2,796,190	$ 2,796,190
Contributions, net	-	-	4,436	4,436
Endowment net assets, end of year	$ -	$ -	$ 2,800,626	$ 2,800,626

2011 Endowment Net Asset Composition by Type of Fund as of June 30, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ -	$ -	$ 2,796,190	$ 2,796,190

Changes in Endowment Net Assets for the fiscal year ended June 30, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ -	$ 2,782,085	$ 2,782,085
Contributions, net	-	-	14,105	14,105
Endowment net assets, end of year	$ -	$ -	$ 2,796,190	$ 2,796.190

NOTE 13 – PERMANENTLY RESTRICTED NET ASSETS (Continued)

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.

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 14 – LETTERS OF CREDIT

At June 30, 2012 and 2011, 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 15 – DEFERRED COMPENSATION PLANS

The Academy has a 403(b) tax deferred annuity plan covering substantially all employees. 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.

NOTE 15 – DEFERRED COMPENSATION PLANS (Continued)

During the years ended June 30, 2012 and 2011, total employer contributions to the plan were $182,693 and $253,773, respectively.

The Academy also had a 457(f) deferred compensation plan for a key employee. In accordance with the plan agreement, the funds accrued as of April 5, 2012 were disbursed to the plan participant. Consequently, the related accrued compensation expense as of June 30, 2012 and 2011 was $0 and $920,007, respectively.

NOTE 16 – LEASE COMMITMENTS

The Academy has leased several copiers, computers and other equipment under lease arrangements classified as operating leases. Total rent expense for the years ended June 30, 2012 and 2011 was $93,013 and $139,711, respectively. The leases are payable in monthly payments and expire at various times through fiscal year 2017. Future minimum lease payments are as follows:

Year ending June 30,	
2013	$ 61,357
2014	61,357
2015	61,357
2016	61,357
2017	61,357
Total	$ 306,785

The Academy also leases computers under a noncancelable lease that is classified as a capital lease. The lease agreement period approximates the remaining economic life of the assets, and expires in 2013. During 2011, the computers under this capital lease were recorded as equipment purchases totaling $379,614, which was the present value of the required lease payments upon inception. Future minimum lease payments under the capital lease for the year ending June 30, 2013 total $133,462.

NOTE 17 – 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, 2012 and 2011 totaled $229,896 and $452,503 respectively.

NOTE 18 – CONCENTRATIONS

The Academy's cash account balances at June 30, 2012 and 2011 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, 2012, 76% of the pledges receivable were due to the Academy by one donor. At June 30, 2011, 76% of the pledges receivable were due to the Academy by four donors. For the year ended June 30, 2012, contributions from two donors represented approximately 60% of total contributions received by the Academy. For the year ended June 30, 2011, contributions from two donors represented approximately 75% of total contributions received by the Academy.

NOTE 19 – 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, 2012 and 2011, the Academy incurred legal expenses from two law firms affiliated with members of the Board of Trustees totaling $181,111 and $8,412, respectively.

NOTE 20 – INTENTION TO GIVE

During the year ended June 30, 2012, a donor verbally committed funds of up to $6 million for the purpose of constructing a student center. This commitment is not considered an unconditional promise to give and accordingly is not recognized in the financial statements as of and for the year ended June 30, 2012.

NOTE 21 – SUBSEQUENT EVENTS

Effective June 30, 2013, the Head of the School will retire. Upon retirement, the Head of School will be entitled to receive severance compensation equal to the value of twelve months of salary and benefits.

The Academy evaluated subsequent events through December 5, 2012, when these financial statements were available to be issued. Other than as disclosed above, management is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the accompanying financial statements.