

BENTON HALL CORPORATION  
DBA BENTON HALL ACADEMY

FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION

Years Ended June 30, 2012 and 2011

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## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying statements of financial position of Benton Hall Corporation (a non-profit organization) as of June 30, 2012, and the related statements of activities and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Academy management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The financial statements for the year ended June 30, 2011, were audited by us, and we expressed an unqualified opinion on them in our report dated November 7, 2011, but we have not performed any auditing procedures since that date.

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

September 6, 2012

BENTON HALL CORPORATION  
STATEMENTS OF FINANCIAL POSITION  
June 30, 2012 (Reviewed) and 2011 (Audited)

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>ASSETS</u>				
CURRENT ASSETS				
Cash	\$ 187,976	\$ 9,025	\$ 300	\$ 197,301
Investments	19,452	-	-	19,452
Accounts receivable	2,421	-	-	2,421
Inventory	5,057	-	-	5,057
Prepaid expenses	8,006	-	-	8,006
Total current assets	222,912	9,025	300	232,237
PROPERTY AND EQUIPMENT	48,256	-	-	48,256
	<u>\$ 271,168</u>	<u>\$ 9,025</u>	<u>\$ 300</u>	<u>\$ 280,493</u>
<u>LIABILITIES AND NET ASSETS</u>				
CURRENT LIABILITIES				
Note payable - current	\$ 9,191	\$ -	\$ -	\$ 9,191
Accounts payable	7,012	-	-	7,012
Accrued liabilities	67,082	-	-	67,082
Deferred revenue	25,385	-	-	25,385
Total current liabilities	108,670	-	-	108,670
Note payable - long term	-	-	-	-
Total liabilities	108,670	-	-	108,670
NET ASSETS				
Unrestricted	162,498	-	-	162,498
Temporarily restricted	-	9,025	-	9,025
Permanently restricted	-	-	300	300
	<u>162,498</u>	<u>9,025</u>	<u>300</u>	<u>171,823</u>
	<u>\$ 271,168</u>	<u>\$ 9,025</u>	<u>\$ 300</u>	<u>\$ 280,493</u>

See accountants' report and accompanying notes.

2011			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 133,382	\$ 16,318	\$ 300	\$ 150,000
16,248	-	-	16,248
3,667	-	-	3,667
4,568	-	-	4,568
3,717	-	-	3,717
161,582	16,318	300	178,200
37,150	-	-	37,150
<u>\$ 198,732</u>	<u>\$ 16,318</u>	<u>\$ 300</u>	<u>\$ 215,350</u>
\$ 23,885	\$ -	\$ -	\$ 23,885
8,628	-	-	8,628
55,272	-	-	55,272
89,642	-	-	89,642
177,427	-	-	177,427
9,191	-	-	9,191
186,618	-	-	186,618
12,114	-	-	12,114
-	16,318	-	16,318
-	-	300	300
12,114	16,318	300	28,732
<u>\$ 198,732</u>	<u>\$ 16,318</u>	<u>\$ 300</u>	<u>\$ 215,350</u>

See accountants' report and accompanying notes.

BENTON HALL CORPORATION  
STATEMENTS OF ACTIVITIES  
Years Ended June 30, 2012 (Reviewed) and 2011 (Audited)

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Tuition and fees	\$ 1,019,825	\$ -	\$ -	\$ 1,019,825
Less: financial aid and discounts	(38,883)	-	-	(38,883)
	<u>980,942</u>	<u>-</u>	<u>-</u>	<u>980,942</u>
Service fee revenues	63,779	-	-	63,779
Other income	23,388	-	-	23,388
Contributions	24,429	16,935	-	41,364
Special events revenues, net of direct costs	-	-	-	-
Investment income	2,069	-	-	2,069
Net assets released from restrictions	24,228	(24,228)	-	-
	<u>1,118,835</u>	<u>(7,293)</u>	<u>-</u>	<u>1,111,542</u>
EXPENSES				
Program services	747,739	-	-	747,739
Management and general	218,052	-	-	218,052
Fundraising	2,660	-	-	2,660
	<u>968,451</u>	<u>-</u>	<u>-</u>	<u>968,451</u>
CHANGE IN NET ASSETS	150,384	(7,293)	-	143,091
NET ASSETS, BEGINNING OF YEAR	<u>12,114</u>	<u>16,318</u>	<u>300</u>	<u>28,732</u>
NET ASSETS, END OF YEAR	<u>\$ 162,498</u>	<u>\$ 9,025</u>	<u>\$ 300</u>	<u>\$ 171,823</u>

See accountants' report and accompanying notes.

2011			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 805,613	\$ -	\$ -	\$ 805,613
(25,996)	-	-	(25,996)
779,617	-	-	779,617
49,867	-	-	49,867
18,776	-	-	18,776
62,586	22,296	-	84,882
			-
10,115	-	-	10,115
4,279	-	-	4,279
21,076	(21,076)	-	-
946,316	1,220	-	947,536
680,268	-	-	680,268
179,867	-	-	179,867
36,316	-	-	36,316
896,451	-	-	896,451
49,865	1,220	-	51,085
(37,751)	15,098	300	(22,353)
\$ 12,114	\$ 16,318	\$ 300	\$ 28,732

See accountants' report and accompanying notes.

BENTON HALL CORPORATION  
STATEMENTS OF CASH FLOWS  
Years Ended June 30, 2012 (Reviewed) and 2011 (Audited)

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Change in net assets	\$ 150,384	\$ (7,293)	\$ -	\$ 143,091
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities				
Depreciation	8,930	-	-	8,930
Bad debts	38,585	-	-	38,585
Noncash contribution of investments	(2,109)	-	-	(2,109)
Unrealized investment gains	(1,095)	-	-	(1,095)
Donated property and equipment	(14,935)	-	-	(14,935)
(Increase) decrease in:				
Accounts receivable	(37,339)	-	-	(37,339)
Inventory	(489)	-	-	(489)
Prepaid expenses	(4,289)	-	-	(4,289)
Other assets	-	-	-	-
Increase (decrease) in:				
Accounts payable	(1,616)	-	-	(1,616)
Accrued liabilities	11,810	-	-	11,810
Deferred revenue	(64,257)	-	-	(64,257)
Net cash provided (used) by operating activities	83,580	(7,293)	-	76,287
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchases of property and equipment	(5,101)	-	-	(5,101)
Net cash used by investing activities	(5,101)	-	-	(5,101)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Principal repayments of note payable	(23,885)	-	-	(23,885)
Net cash used by financing activities	(23,885)	-	-	(23,885)
Net increase (decrease) in cash	54,594	(7,293)	-	47,301
CASH AT BEGINNING OF YEAR	133,382	16,318	300	150,000
CASH AT END OF YEAR	\$ 187,976	\$ 9,025	\$ 300	\$ 197,301

See accountants' report and accompanying notes.



2011			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 49,865	\$ 1,220	\$ -	\$ 51,085
6,782	-	-	6,782
23,068	-	-	23,068
(2,284)	-	-	(2,284)
(3,469)	-	-	(3,469)
			-
(12,499)	-	-	(12,499)
605	-	-	605
1,244	-	-	1,244
1,946	-	-	1,946
			-
(15,405)	-	-	(15,405)
4,577	-	-	4,577
89,973	-	-	89,973
144,403	1,220	-	145,623
(12,230)	-	-	(12,230)
(12,230)	-	-	(12,230)
(26,147)	-	-	(26,147)
(26,147)	-	-	(26,147)
106,026	1,220	-	107,246
27,356	15,098	300	42,754
<u>\$ 133,382</u>	<u>\$ 16,318</u>	<u>\$ 300</u>	<u>\$ 150,000</u>

See accountants' report and accompanying notes.

BENTON HALL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012 (Reviewed) and 2011 (Audited)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

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

Basis of Accounting

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

Financial Statement Presentation

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

Contributions

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

Cash and Cash Equivalents

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

Accounts Receivable

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

Investments

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

BENTON HALL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012 (Reviewed) and 2011 (Audited)

Inventory

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

Property and Equipment

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

Fair Values

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

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

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

The three levels are explained as follows:

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

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

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

Deferred Revenue

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

Income Tax Status

The Academy qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. In addition, the Academy qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is a not private foundation under Section 509(a)(2). The Academy's federal information returns for tax years ending June 30, 2009 and later are subject to examination by the IRS.

BENTON HALL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012 (Reviewed) and 2011 (Audited)

Expense Allocation

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

Advertising and Promotion

Advertising and promotion costs are expensed as incurred. Total advertising expenses were \$8,070 and \$14,903 for the years ended June 30, 2012 and 2011, respectively.

Estimates

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

Donated Services

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

Evaluation of Events Occurring After the Financial Statement Date

Management has evaluated subsequent events through September 6, 2012, the date the financial statements were available to be issued.

Reclassifications

Certain 2011 amounts have been reclassified to conform to the 2012 financial statement presentation.

NOTE 2 – ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	<u>2012</u>	<u>2011</u>
Tuition receivable	\$ 41,119	\$ 17,212
Allowance for doubtful accounts	<u>(38,698)</u>	<u>(13,545)</u>
	<u>\$ 2,421</u>	<u>\$ 3,667</u>

BENTON HALL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012 (Reviewed) and 2011 (Audited)

NOTE 3 – INVESTMENTS

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

	2012		
	Cost	Fair Value	Unrealized Loss
Corporate stocks	\$ 19,853	\$ 19,452	\$ (401)
	2011		
	Cost	Fair Value	Unrealized Loss
Corporate stocks	\$ 17,745	\$ 16,248	\$ (1,497)

Investment earnings are reported net of related investment expenses and include interest, dividends, and realized and unrealized gains.

The following schedule summarizes the investment return and its classification in the statement of activities:

	2012	2011
Unrealized gains on investments - unrestricted	\$ 1,095	\$ 3,469
Interest and dividends income	974	810
	<u>\$ 2,069</u>	<u>\$ 4,279</u>

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2012	2011
Furniture and fixtures	\$ 23,804	\$ 11,694
Equipment	175,238	167,311
Transportation equipment	42,230	42,230
Leasehold improvements	4,234	4,234
Website development costs	7,480	7,480
	<u>252,986</u>	<u>232,949</u>
Accumulated depreciation	<u>(204,730)</u>	<u>(195,799)</u>
	<u>\$ 48,256</u>	<u>\$ 37,150</u>

BENTON HALL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012 (Reviewed) and 2011 (Audited)

NOTE 5 – NOTE PAYABLE

In November 2008, the Academy entered into a promissory note agreement for \$95,540 with a local bank. Principal payments of \$1,990 plus interest are due monthly for 47 months. The remaining principal and interest is due at the maturity date of November 18, 2012. The note bears interest at of 6.9%, and is secured by inventory and equipment. The outstanding balance at June 30, 2012 and 2011 was \$9,191 and \$33,076, respectively.

Interest expense was \$1,507 and \$5,334 for the years ended June 30, 2012 and 2011, respectively.

A summary of future maturities of the note payable is as follows for the years June 30:

2013	\$	9,191
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NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

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

	2012	2011
Classroom Enhancements	\$ -	\$ 1,612
Financial aid	7,500	1,000
New textbooks	5,995	874
Basketball uniforms	1,822	460
Bus Repairs	-	12,230
Prom	5,950	4,900
Other	2,961	-
	<u>\$ 24,228</u>	<u>\$ 21,076</u>

Temporarily restricted net assets consist of the following:

	2012	2011
Financial aid	\$ 5,478	\$ 4,400
Prom	87	2,967
New textbooks	-	5,995
Playground equipment	2,000	2,000
Basketball uniforms	460	751
Other	1,000	205
	<u>\$ 9,025</u>	<u>\$ 16,318</u>

BENTON HALL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012 (Reviewed) and 2011 (Audited)

NOTE 7 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of the following:

	<u>2012</u>	<u>2011</u>
Various	<u>\$ 300</u>	<u>\$ 300</u>

NOTE 8 – OPERATING LEASES

The Academy has entered into noncancelable operating leases for certain equipment.

The Academy leases the building under a noncancelable operating lease that expires in 2015. Occupancy expenses reimbursed to the owner of the building in which the Academy operates totaled \$76,173 and \$78,794 for the years ended June 30, 2012 and 2011, respectively.

Rent expense was \$81,477 and \$82,962 for years ended June 30, 2012 and 2011, respectively.

Future minimum lease payments for these leases are as follows:

2013	\$ 84,309
2014	87,198
2015	94,878

NOTE 9 – RETIREMENT PLAN

Employees of the Academy are eligible to participate in a SIMPLE IRA retirement plan. Under the plan, the Academy matches 100% of the amount the employee elects to contribute to the plan up to a maximum of 3% of the employee's eligible compensation. Retirement expense totaled \$13,855 and \$11,338 for the years ended June 30, 2012 and 2011, respectively.

NOTE 10 – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	<u>2012</u>	<u>2011</u>
Interest paid	\$ 1,562	\$ 5,256

NOTE 11 – LITIGATION

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

## SUPPLEMENTARY INFORMATION





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## INDEPENDENT ACCOUNTANTS' REVIEW REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors  
Benton Hall Corporation  
Franklin, Tennessee

Our report on our review of the basic financial statements of Benton Hall Corporation for 2012 appears on page 1. That review was made for the purpose of expressing a conclusion that there are no material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. The information included in the accompanying schedules is presented only for purposes of additional analysis and has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we are not aware of any material modifications that should be made thereto.

The supplementary information for the year ended June 30, 2011, contained in the accompanying schedules, was subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. Our report stated that the information was fairly stated in all material respects in relation to the financial statements as a whole. We have not performed any auditing procedures on either the financial statements or on the supplementary information since November 7, 2011.

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

September 6, 2012

BENTON HALL CORPORATION  
SCHEDULES OF EXPENSES  
Years Ended June 30, 2012 (Reviewed) and 2011 (Audited)

	Program Services	Management and General	Fundraising	Total
Outside labor and services	\$ 19,198	\$ -	\$ -	\$ 19,198
Salaries and wages	412,421	127,237	-	539,658
Employee benefits	64,709	10,460	-	75,169
Payroll taxes	36,181	10,084	-	46,265
Fees for services	4,447	47,613	-	52,060
Supplies	10,207	1,656	-	11,863
Dues and subscriptions	3,065	76	1,055	4,196
Taxes and insurance	2,514	8,050	-	10,564
Student activities	24,243	-	-	24,243
Public relations and marketing	7,845	(433)	658	8,070
Bank charges	1,405	-	-	1,405
Telecommunications	6,160	2,013	-	8,173
Postage and shipping	391	228	33	652
Occupancy	73,126	2,285	762	76,173
Equipment rental and maintenance	4,239	1,413	-	5,652
Travel and vehicle	6,730	524	6	7,260
Meetings	564	604	-	1,168
Interest	1,131	361	15	1,507
Depreciation	6,698	2,143	89	8,930
Other expenses	9,749	3,738	42	13,529
Bad debts and collection costs	38,585	-	-	38,585
Costs of goods sold	14,131	-	-	14,131
	<u>\$ 747,739</u>	<u>\$ 218,052</u>	<u>\$ 2,660</u>	<u>\$ 968,451</u>

See accountants' report on supplementary information.

Program Services	Management and General	Fundraising	Total
\$ 5,701	\$ -	\$ -	\$ 5,701
397,098	102,650	21,974	521,722
66,486	11,729	2,783	80,998
30,369	7,860	1,634	39,863
2,992	43,733	-	46,725
3,991	623	112	4,726
2,402	76	1,296	3,774
9,671	-	-	9,671
19,073	-	-	19,073
6,053	3,146	5,704	14,903
1,377	-	-	1,377
3,841	2,241	320	6,402
619	116	219	954
75,643	2,364	788	78,795
3,330	1,524	218	5,072
14,654	493	292	15,439
156	301	315	772
3,231	1,840	263	5,334
5,255	1,145	382	6,782
1,984	26	16	2,026
23,068	-	-	23,068
3,274	-	-	3,274
<u>\$ 680,268</u>	<u>\$ 179,867</u>	<u>\$ 36,316</u>	<u>\$ 896,451</u>

See accountants' report on supplementary information.