

**CURREY INGRAM ACADEMY**

**FINANCIAL STATEMENTS**

**June 30, 2011 and 2010**

# **CURREY INGRAM ACADEMY**

## **TABLE OF CONTENTS**

Independent Auditor's Report.....	2
Financial Statements:	
Statements of Financial Position .....	3
Statements of Activities .....	4 – 5
Statements of Functional Expenses .....	6 – 7
Statements of Cash Flows.....	8
Notes to Financial Statements.....	9 – 24



## 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, 2011 and 2010, 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, 2011 and 2010, 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 2, 2011

**CURREY INGRAM ACADEMY**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2011 and 2010**

	<b>Assets</b>	
	<b>2011</b>	<b>2010</b>
Current assets:		
Cash and cash equivalents	\$ 2,512,492	\$ 1,978,379
Investments	4,283,732	3,599,319
Accounts receivable, net of allowance of \$528,332 and \$443,490, respectively	390,582	229,913
Current installments of pledges receivable, net of allowance of \$45,725 and \$66,321, respectively	688,176	1,192,493
Prepaid expenses	96,543	167,885
Total current assets	7,971,525	7,167,989
Pledges receivable, net of discount	167,435	466,582
Property and equipment, net of accumulated depreciation of \$9,228,978 and \$7,887,294, respectively	30,543,091	31,477,184
Other assets	136,064	152,063
Total assets	<u>\$ 38,818,115</u>	<u>\$ 39,263,818</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Current installments of bonds payable	\$ 350,000	\$ 335,000
Accounts payable	370,754	324,062
Deferred revenues	2,524,461	1,830,636
Estimated fair value of interest rate swap agreement	502,812	504,799
Accrued expenses and other	1,175,837	871,507
Total current liabilities	4,923,864	3,866,004
Note payable	2,155,876	3,255,876
Bonds payable, net of current installments	5,100,000	5,450,000
Total liabilities	12,179,740	12,571,880
Net assets:		
Unrestricted	22,925,708	22,963,140
Temporarily restricted	916,477	946,713
Permanently restricted	2,796,190	2,782,085
Total net assets	26,638,375	26,691,938
Total liabilities and net assets	<u>\$ 38,818,115</u>	<u>\$ 39,263,818</u>

See accompanying notes.

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support and revenue:				
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
Child development center	116,762	-	-	116,762
Student fees	132,752	-	-	132,752
Application and enrollment fees	128,500	-	-	128,500
Aftercare income	123,359	-	-	123,359
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 of 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 support, revenue and investment gains	13,856,773	(30,236)	14,105	13,840,642
Expenses:				
Program services	9,882,280	-	-	9,882,280
Supporting services:				
Management and general	3,504,241	-	-	3,504,241
Fundraising	507,684	-	-	507,684
Total supporting services	4,011,925	-	-	4,011,925
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 ACTIVITIES**  
**Year Ended June 30, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support and revenue:				
Contributions	<u>\$ 1,012,510</u>	<u>\$ 1,608,165</u>	<u>\$ 13,522</u>	<u>\$ 2,634,197</u>
Revenue:				
Tuition	8,526,552	-	-	8,526,552
Dewar's tuition refund	180,895	-	-	180,895
Student activities income	160,213	-	-	160,213
Child development center	151,149	-	-	151,149
Diagnostic center	121,304	-	-	121,304
Investment interest and dividends	111,687	-	-	111,687
Other	108,667	-	-	108,667
Aftercare income	101,182	-	-	101,182
Student fees	85,794	-	-	85,794
Application and enrollment fees	81,525	-	-	81,525
Finance charge income	42,804	-	-	42,804
In-kind income	20,948	-	-	20,948
Net assets released from restrictions	<u>4,083,230</u>	<u>(4,083,230)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>13,775,950</u>	<u>(4,083,230)</u>	<u>-</u>	<u>9,692,720</u>
Unrealized gain on investments	<u>286,823</u>	<u>-</u>	<u>-</u>	<u>286,823</u>
Total support, revenue and investment gains	<u>15,075,283</u>	<u>(2,475,065)</u>	<u>13,522</u>	<u>12,613,740</u>
Expenses:				
Program services	<u>9,011,653</u>	<u>-</u>	<u>-</u>	<u>9,011,653</u>
Supporting services:				
Management and general	3,343,272	-	-	3,343,272
Fundraising	<u>617,608</u>	<u>-</u>	<u>-</u>	<u>617,608</u>
Total supporting expenses	<u>3,960,880</u>	<u>-</u>	<u>-</u>	<u>3,960,880</u>
Total expenses	<u>12,972,533</u>	<u>-</u>	<u>-</u>	<u>12,972,533</u>
Change in net assets	2,102,750	(2,475,065)	13,522	(358,793)
Net assets at beginning of year	<u>20,860,390</u>	<u>3,421,778</u>	<u>2,768,563</u>	<u>27,050,731</u>
Net assets at end of year	<u>\$22,963,140</u>	<u>\$ 946,713</u>	<u>\$ 2,782,085</u>	<u>\$26,691,938</u>

See accompanying notes.

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

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries, payroll taxes and other related expenses	\$ 5,497,424	\$ 1,410,420	\$ 298,846	\$ 7,206,690
Scholarship	1,301,122	-	-	1,301,122
Contract services	-	1,134,916	-	1,134,916
Interest	-	353,818	-	353,818
Utilities	320,120	3,267	3,267	326,654
Kitchen supplies and food	288,329	-	-	288,329
Materials and supplies	135,489	114,797	5,812	256,098
Dewar's tuition and other insurance	186,494	-	-	186,494
Student activities	141,419	-	-	141,419
Insurance	-	130,975	-	130,975
Technology	90,904	28,607	8,206	127,717
Copier and printing	47,790	17,037	48,270	113,097
Bad debts	101,019	-	-	101,019
Professional development	59,910	14,182	5,710	79,802
Advertising	337	1,322	72,981	74,640
Events	16,369	38,377	18,646	73,392
Board and school hospitality	15,387	26,552	13,114	55,053
Textbooks	41,765	-	-	41,765
In-kind expense	-	38,844	-	38,844
Consulting	25,115	7,162	4,951	37,228
Bank charges	567	29,028	-	29,595
Vehicle	91	28,824	52	28,967
Accounting and auditing	-	27,550	-	27,550
Dues and subscriptions	7,361	16,445	2,634	26,440
Collection fees	21,403	-	-	21,403
Testing	19,602	-	-	19,602
Postage	5,157	6,965	6,596	18,718
Trash removal	-	14,917	-	14,917
Miscellaneous	489	11,661	-	12,150
Repairs and maintenance	760	8,384	-	9,144
Membership fees	2,478	5,536	887	8,901
Travel and entertainment	4,171	2,313	1,195	7,679
Legal	-	7,391	-	7,391
Athletics	6,851	-	-	6,851
Equipment rental	-	5,272	-	5,272
Counseling	3,528	-	-	3,528
Discretionary fund	806	537	806	2,149
Search expense	47	1,805	-	1,852
Letters of credit fees	-	1,500	-	1,500
Permits and licenses	330	126	-	456
Total expenses before depreciation and amortization	8,342,634	3,488,530	491,973	12,323,137
Depreciation and amortization	1,539,646	15,711	15,711	1,571,068
	<u>\$ 9,882,280</u>	<u>\$ 3,504,241</u>	<u>\$ 507,684</u>	<u>\$ 13,894,205</u>

See accompanying notes.

**CURREY INGRAM ACADEMY**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended June 30, 2010**

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries, payroll taxes and other related expenses	\$ 5,286,411	\$ 1,325,943	\$ 433,043	\$ 7,045,397
Scholarship	1,025,650	-	-	1,025,650
Contract services	-	941,457	-	941,457
Interest	-	372,019	-	372,019
Utilities	276,611	2,823	2,823	282,257
Kitchen supplies and food	244,964	-	-	244,964
Other bond fees	-	183,843	-	183,843
Dewar's tuition and other insurance	180,911	-	-	180,911
Technology	119,111	37,483	10,752	167,346
Insurance	-	124,061	-	124,061
Student activities	123,138	-	-	123,138
Materials and supplies	64,466	54,621	2,765	121,852
Bad debts	100,871	-	-	100,871
Copier and printing	38,735	13,809	39,124	91,668
Advertising	302	1,185	65,397	66,884
Events	12,283	28,798	13,992	55,073
Consulting	35,691	10,178	7,036	52,905
Board and school hospitality	14,287	24,653	12,177	51,117
Professional development	32,640	7,727	3,111	43,478
Vehicle	100	31,629	57	31,786
Textbooks	30,327	-	-	30,327
Bank charges	541	27,663	-	28,204
Dues and subscriptions	7,690	17,181	2,752	27,623
In-kind expense	-	20,948	-	20,948
Athletics	19,574	-	-	19,574
Postage	5,219	7,049	6,675	18,943
Testing	18,352	-	-	18,352
Miscellaneous	737	17,597	-	18,334
Accounting and auditing	-	17,450	-	17,450
Repairs and maintenance	1,193	13,155	-	14,348
Letters of credit fees	-	12,622	-	12,622
Collection fees	12,575	-	-	12,575
Trash removal	-	12,090	-	12,090
Membership fees	3,362	7,511	1,203	12,076
Travel and entertainment	3,467	1,923	993	6,383
Discretionary fund	2,016	1,344	2,016	5,376
Small equipment	2,927	2,127	-	5,054
Counseling	4,897	-	-	4,897
Equipment rental	-	4,682	-	4,682
Legal	-	3,602	-	3,602
Search expense	55	2,122	-	2,177
Permits and licenses	745	285	-	1,030
Total expenses before depreciation and amortization	7,669,848	3,329,580	603,916	11,603,344
Depreciation and amortization	1,341,805	13,692	13,692	1,369,189
	<u>\$ 9,011,653</u>	<u>\$ 3,343,272</u>	<u>\$ 617,608</u>	<u>\$ 12,972,533</u>

See accompanying notes.

**CURREY INGRAM ACADEMY**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended June 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Change in net assets:	\$ (53,563)	\$ (358,793)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,561,649	1,360,673
Amortization	9,419	8,516
Unrealized gain on investments	(490,279)	(286,823)
Gain on sale of property and equipment	(6,327)	-
Allowance for bad debts	101,019	100,871
Contributions restricted for long-term purposes	(849,174)	(954,176)
Changes in operating assets and liabilities:		
Accounts receivable	(245,511)	(95,307)
Pledges receivable	(66,876)	(168,901)
Prepaid expenses	71,342	(56,910)
Other assets	6,580	(60,109)
Accounts payable	46,692	(570,829)
Deferred revenues	693,825	363,291
Change in fair value of interest rate swap agreement	(1,987)	162,839
Accrued expenses and other	58,177	(20,844)
Net cash provided by (used in) operating activities	<u>834,986</u>	<u>(576,502)</u>
Cash flows from investing activities:		
Purchase of investments	(1,836,803)	(482,336)
Proceeds from sale of investments	1,642,669	224,530
Proceeds from sale of property and equipment	103,185	-
Purchase of property and equipment	(344,800)	(4,111,185)
Net cash used in investing activities	<u>(435,749)</u>	<u>(4,368,991)</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term purposes	1,703,337	3,177,014
Payments of bonds payable	(335,000)	(265,000)
(Payments) borrowings on note payable	(1,100,000)	577,550
Payments on capital lease	(133,461)	-
Net cash provided by financing activities	<u>134,876</u>	<u>3,489,564</u>
Net increase (decrease) in cash and cash equivalents	534,113	(1,455,929)
Cash and cash equivalents at beginning of year	1,978,379	3,434,308
Cash and cash equivalents at end of year	<u>\$ 2,512,492</u>	<u>\$ 1,978,379</u>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$ 353,818</u>	<u>\$ 372,019</u>
Non-cash investing and financing activities:		
Equipment purchased through capital lease obligation	<u>\$ 379,614</u>	<u>\$ -</u>

See accompanying notes.

**CURREY INGRAM ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011 and 2010**

**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:

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. 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, 2011 and 2010 an allowance of \$528,332 and \$443,490 for bad debts has been estimated and recorded, respectively.

**CURREY INGRAM ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2011 and 2010**

**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 has adopted 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 interpretation 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, 2008 through June 30, 2011.

**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 generally accepted accounting principles 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:

**CURREY INGRAM ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2011 and 2010**

**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, 2011 and 2010, the allowance totaled \$45,725 and \$66,321, respectively.

**Advertising Costs**

Advertising costs are expensed as incurred. Advertising expense totaled \$74,640 and \$66,884 for the years ended June 30, 2011 and 2010, 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.

**CURREY INGRAM ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2011 and 2010**

**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 has adopted 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.

**CURREY INGRAM ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2011 and 2010**

**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 12 for additional information regarding permanently restricted endowment funds.

**Subsequent Events**

The Academy evaluated subsequent events through December 2, 2011, when these financial statements were available to be issued. 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.

**NOTE 2 – FAIR VALUE MEASUREMENT OF INVESTMENTS**

The Academy has adopted 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.

**CURREY INGRAM ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2011 and 2010**

**NOTE 2 – FAIR VALUE MEASUREMENT OF INVESTMENTS (Continued)**

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

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the methodologies used at June 30, 2011 and 2010. 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, 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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	<u>920,006</u>	<u>-</u>	<u>-</u>	<u>920,006</u>
Total investments at fair value	<u>\$ 2,172,455</u>	<u>\$ 2,111,277</u>	<u>\$ -</u>	<u>\$ 4,283,732</u>
Interest rate swap liability	<u>\$ -</u>	<u>\$ (502,812)</u>	<u>\$ -</u>	<u>\$ (502,812)</u>

**CURREY INGRAM ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2011 and 2010**

**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, 2010:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Mutual funds – equity funds	\$ -	\$ 1,684,940	\$ -	\$ 1,684,940
Mutual funds – bond funds	1,199,914	-	-	1,199,914
Trusts held by third parties	<u>714,465</u>	<u>-</u>	<u>-</u>	<u>714,465</u>
Total investments at fair value	<u>\$ 1,914,379</u>	<u>\$ 1,684,940</u>	<u>\$ -</u>	<u>\$ 3,599,319</u>
Interest rate swap liability	<u>\$ -</u>	<u>\$ (504,799)</u>	<u>\$ -</u>	<u>\$ (504,799)</u>

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

	<u>2011</u>	<u>2010</u>
Interest and dividends	\$ 76,669	\$ 111,687
Unrealized gains	<u>490,279</u>	<u>286,823</u>
Net investment gain	<u>\$ 566,948</u>	<u>\$ 398,510</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 .88% to 4.9% at June 30, 2011 and from .74% to 4.9% at June 30, 2010.

The following are the future maturities of pledges receivable at June 30, 2011:

Year ending	
<u>June 30,</u>	
2012	\$ 733,901
2013	177,400
2014	2,400
2015	<u>800</u>
Gross pledge contribution receivable	914,501
Less: discount to net present value	<u>(13,165)</u>
Present value of pledge contribution receivable	901,336
Less: allowance for uncollectible pledges	<u>(45,725)</u>
Pledge contributions receivable, net	<u>\$ 855,611</u>

**CURREY INGRAM ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2011 and 2010**

**NOTE 3 – PLEDGES RECEIVABLE (Continued)**

Pledge contributions receivable are scheduled to be received as follows:

	<u>2011</u>	<u>2010</u>
Receivable in less than one year	\$ 688,176	\$ 1,192,493
Receivable in one to five years	<u>167,435</u>	<u>466,582</u>
	<u>\$ 855,611</u>	<u>\$ 1,659,075</u>

**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at June 30:

	<u>2011</u>	<u>2010</u>
Buildings	\$ 32,176,205	\$ 32,176,205
Land	2,986,766	2,986,766
Furniture and equipment	3,667,553	3,478,075
Vehicles	173,526	173,526
Building improvements	317,306	220,110
Grounds equipment	67,313	67,313
Land improvements	374,062	39,917
Construction in progress	<u>9,338</u>	<u>222,566</u>
	39,772,069	39,364,478
Less accumulated depreciation	<u>(9,228,978)</u>	<u>(7,887,294)</u>
	<u>\$ 30,543,091</u>	<u>\$ 31,477,184</u>

During fiscal year 2011 and 2010, respectively, the Academy incurred costs amounting to \$9,338, and \$222,566 which have been capitalized as construction in progress. At June 30, 2011, these costs consist of architect and engineering fees incurred related to the construction of a sports pavilion. At June 30, 2010, these costs consisted primarily of expense incurred with the construction of the tennis courts and renovation of the farmhouse, which were completed and placed in service during fiscal year 2011.

For the years ending June 30, 2011 and 2010, the Academy had depreciation expense of \$1,561,649 and \$1,360,673, respectively.

**CURREY INGRAM ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2011 and 2010**

**NOTE 5 – OTHER ASSETS**

At June 30, 2011 and 2010, other assets consisted of the following:

	<u>2011</u>	<u>2010</u>
Bond issuance costs	\$ 133,695	\$ 133,695
Accumulated amortization on bond costs	(38,932)	(31,300)
Underwriters' discount	37,500	37,500
Accumulated amortization on discount	(15,314)	(13,528)
Inventory	<u>19,115</u>	<u>25,696</u>
Total	<u>\$ 136,064</u>	<u>\$ 152,063</u>

**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 ("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 (1.80% at June 30, 2011). The maturity date of the agreement is April 1, 2023.

Maturities of bonds payable are as follows:

Year ending <u>June 30,</u>	Annual Principal <u>Amount</u>
2012	\$ 350,000
2013	360,000
2014	370,000
2015	385,000
2016	395,000
Thereafter	<u>3,590,000</u>
	<u>\$ 5,450,000</u>

**CURREY INGRAM ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2011 and 2010**

**NOTE 6 – BONDS PAYABLE (Continued)**

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

**NOTE 7 – NOTE PAYABLE**

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. 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 (1.80%) and (1.91%) at June 30, 2011 and 2010, respectively. All principal amounts outstanding under the agreement are due as of the maturity date of November 1, 2016.

At June 30, 2011 and 2010, amounts outstanding under this agreement totaled \$2,155,876 and \$3,255,876, respectively. The Academy is required to meet certain financial and nonfinancial covenants as specified in the loan agreement. For the years ended June 30, 2011 and 2010, the Academy was in compliance with all financial covenants.

**NOTE 8 – LINE OF CREDIT**

At June 30, 2011 and 2010, 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, 2011 and 2010.

**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, 2011 are as follows:

<u>Description</u>	<u>Termination Date</u>	<u>Notional Amount</u>	<u>Estimated Fair Value at June 30, 2011</u>
Interest rate swap agreement swapping a variable rate for a fixed rate of 3.49%.	October 1, 2015	\$ 5,450,000	\$ (502,812)

**CURREY INGRAM ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2011 and 2010**

**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, 2011 and 2010 includes \$1,987 of income and \$162,839 of expense 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, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Board designated:		
Deferred maintenance	\$ 129,618	\$ 103,618
Undesignated	<u>22,796,090</u>	<u>22,859,522</u>
	<u>\$ 22,925,708</u>	<u>\$ 22,963,140</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>2011</u>	<u>2010</u>
Capital purchases	\$ 100,000	\$ 100,000
Scholarship	115,185	54,000
Tennis program	15,097	-
Pledges receivable – time restricted	<u>686,195</u>	<u>792,713</u>
	<u>\$ 916,477</u>	<u>\$ 946,713</u>

**NOTE 12 – PERMANENTLY RESTRICTED NET ASSETS**

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

	<u>2011</u>	<u>2010</u>
Scholarship and other	<u>\$ 2,796,190</u>	<u>\$ 2,782,085</u>

**CURREY INGRAM ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2011 and 2010**

**NOTE 12 – PERMANENTLY RESTRICTED NET ASSETS (Continued)**

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

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$ -	\$ 2,796,190	\$ 2,796,190

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
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

**CURREY INGRAM ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2011 and 2010**

**NOTE 12 – PERMANENTLY RESTRICTED NET ASSETS (Continued)**

**2010 Endowment Net Asset Composition by Type of Fund as of June 30, 2010:**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$ -	\$ 2,782,085	\$ 2,782,085

**Changes in Endowment Net Assets for the fiscal year ended June 30, 2010:**

Endowment net assets, beginning of year	\$ -	\$ -	\$ 2,768,563	\$ 2,768,563
Contributions, net	-	-	13,522	13,522
Endowment net assets, end of year	\$ -	\$ -	\$ 2,782,085	\$ 2,782,085

**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, 2011 and 2010.

**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.

**CURREY INGRAM ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2011 and 2010**

**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, 2011 and 2010, the Academy maintained two letters of credit issued by a local financial institution totaling \$165,000. These letters of credit will be available in the event of noncompliance with certain performance bonds as required by Williamson County, Tennessee and the State of Tennessee.

**NOTE 14 – DEFERRED COMPENSATION PLANS**

The Academy has a 403(b) tax deferred annuity plan covering substantially all employees. The 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, 2011 and 2010, total employer contributions to the plan were \$253,773 and \$227,551, respectively.

The Academy also has a 457(f) deferred compensation plan for a key employee. Related accrued compensation expense as of June 30, 2011 and 2010 was \$920,007 and \$731,229, respectively.

**NOTE 15 – 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, 2011 and 2010 was \$139,711 and \$154,361, respectively. The leases are payable in monthly payments and expire at various times through fiscal year 2015. Future minimum lease payments are as follows:

**CURREY INGRAM ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2011 and 2010**

**NOTE 15 – LEASE COMMITMENTS (Continued)**

Year ending <u>June 30,</u>	
2012	\$ 63,037
2013	52,345
2014	44,782
2015	<u>4,700</u>
Total	<u>\$ 164,864</u>

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 are as follows:

Year ending <u>June 30,</u>	
2012	\$ 133,461
2013	<u>133,462</u>
Total future lease payments	266,923
Less: discount to present value	<u>(20,770)</u>
Present value of future minimum lease payments	<u>\$ 246,153</u>

During 2010, the Academy also leased computers under a noncancelable lease that was classified as a capital lease. During 2009, the computers under this capital lease were recorded as equipment purchases totaling \$316,750, which was the present value of the required lease payments upon inception. During 2011, these computers were sold and the Academy recognized a gain of \$6,400.

**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, 2011 and 2010 totaled \$452,503 and \$200,638, respectively.

**CURREY INGRAM ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2011 and 2010**

**NOTE 17 – CONCENTRATIONS**

The Academy's cash account balances at June 30, 2011 and 2010 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, 2011, 76% of the pledges receivable were due to the Academy by four donors. At June 30, 2010, 73% of the pledges receivable were due to the Academy by four donors. For the year ended June 30, 2011, contributions from two donors represented approximately 75% of total contributions received by the Academy. For the year ended June 30, 2010, contributions from one donor represented approximately 61% of total contributions received by the Academy.

**NOTE 18 – RELATED PARTY TRANSACTIONS**

The Academy occasionally purchases goods or services at commercially reasonable rates from companies or organizations that are affiliated with or owned, directly or indirectly, by members of the Board of Trustees. All such purchases are reviewed and approved in accordance with the Academy's purchasing policy.