

CURREY INGRAM ACADEMY

FINANCIAL STATEMENTS

June 30, 2008 and 2007

CURREY INGRAM ACADEMY

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position of Currey Ingram Academy (a nonprofit organization) as of June 30, 2008 and 2007 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, 2008 and 2007, 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, 2008

CURREY INGRAM ACADEMY
STATEMENTS OF FINANCIAL POSITION
June 30, 2008 and 2007

	Assets	
	2008	2007
Current assets:		
Cash and cash equivalents	\$ 5,968,672	\$ 3,419,532
Investments	3,539,009	3,597,165
Accounts receivable, net of allowance of \$220,693 and \$223,463, respectively	195,295	135,536
Current installments of pledges receivable, net of allowance of \$658,531 and \$0, respectively	1,002,868	1,875,870
Prepaid expenses	117,258	141,327
Total current assets	10,823,102	9,169,430
Pledges receivable, net of discount	982,334	1,031,524
Property and equipment - net of accumulated depreciation of \$5,653,626 and \$4,812,715, respectively	20,392,707	18,861,920
Other assets	104,751	110,671
Total assets	<u>\$ 32,302,894</u>	<u>\$ 29,173,545</u>
Liabilities and Net Assets		
Current liabilities:		
Current installments of bonds payable	\$ 310,000	\$ 300,000
Accounts payable	705,135	142,135
Deferred revenues	2,034,773	1,262,844
Estimated fair value of interest rate swap agreement	149,445	-
Accrued expenses	762,119	735,306
Total current liabilities	3,961,472	2,440,285
Bonds payable, net of current installments	6,050,000	6,360,000
Total liabilities	<u>10,011,472</u>	<u>8,800,285</u>
Net assets:		
Unrestricted	15,985,331	14,338,245
Temporarily restricted	3,672,085	3,484,604
Permanently restricted	2,634,006	2,550,411
Total net assets	<u>22,291,422</u>	<u>20,373,260</u>
Total liabilities and net assets	<u>\$ 32,302,894</u>	<u>\$ 29,173,545</u>

See accompanying notes.

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

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

See accompanying notes.

CURREY INGRAM ACADEMY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support and revenue:				
Contributions	\$ 496,572	\$ 3,821,417	\$ 146,058	\$ 4,464,047
Revenue:				
Tuition	6,783,238	-	-	6,783,238
Student activities income	247,355	-	-	247,355
Investment and interest income	212,955	-	-	212,955
Diagnostic center	121,715	-	-	121,715
Application and enrollment fees	120,500	-	-	120,500
Dewar's tuition refund	113,831	-	-	113,831
Aftercare income	101,118	-	-	101,118
Child development center	70,752	-	-	70,752
Student fees	61,085	-	-	61,085
In-kind income	29,976	-	-	29,976
Finance charge income	29,106	-	-	29,106
Other	24,767	-	-	24,767
Net assets released from restrictions	1,308,854	(1,276,734)	(32,120)	-
Total revenue	9,225,252	(1,276,734)	(32,120)	7,916,398
Unrealized gain on investments	388,702	-	-	388,702
Total public support, revenue and gains	10,110,526	2,544,683	113,938	12,769,147
Expenses:				
Program services	7,318,524	-	-	7,318,524
Supporting services:				
Management and general	2,254,865	-	-	2,254,865
Fundraising	502,702	-	-	502,702
Total supporting services	2,757,567	-	-	2,757,567
Total expenses	10,076,091	-	-	10,076,091
Change in net assets	34,435	2,544,683	113,938	2,693,056
Net assets at beginning of year	14,303,810	939,921	2,436,473	17,680,204
Net assets at end of year	<u>\$14,338,245</u>	<u>\$ 3,484,604</u>	<u>\$ 2,550,411</u>	<u>\$20,373,260</u>

See accompanying notes.

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

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

See accompanying notes.

CURREY INGRAM ACADEMY
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2007

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries, payroll taxes and other related expenses	\$ 4,492,063	\$ 1,233,893	\$ 359,924	\$ 6,085,880
Scholarship	645,616	-	-	645,616
Technology	203,018	50,451	2,893	256,362
Interest	-	251,213	-	251,213
Contract services	700	197,860	-	198,560
Utilities	178,794	1,824	1,824	182,442
Materials and supplies	95,939	82,919	1,316	180,174
Student activities	153,612	832	-	154,444
Kitchen supplies and food	148,990	51	-	149,041
Insurance	-	116,410	-	116,410
Dewar's tuition and other insurance	113,791	-	-	113,791
Events	26,038	21,600	33,259	80,897
Rent	72,806	743	743	74,292
Letters of credit fees	-	68,312	-	68,312
Copier and printing	32,158	9,306	25,134	66,598
Professional development	45,748	12,471	4,201	62,420
Advertising	708	6,036	43,806	50,550
Bad debts	41,812	-	-	41,812
Collection fees	35,019	-	-	35,019
Athletics	34,957	-	-	34,957
In-kind expense	-	30,187	-	30,187
Textbooks	29,025	-	-	29,025
Small equipment	18,022	8,027	-	26,049
Vehicle	747	22,509	747	24,003
Board and school hospitality	1,494	12,987	8,660	23,141
Bank charges	385	21,765	-	22,150
Library expense	22,131	-	-	22,131
Consulting	17,635	2,663	-	20,298
Postage	5,392	6,821	5,481	17,694
Legal	-	15,816	-	15,816
Testing	15,069	-	-	15,069
Accounting and auditing	-	13,850	-	13,850
Membership fees	13,126	-	-	13,126
Other bond fees	-	11,876	-	11,876
Trash removal	-	10,441	-	10,441
Search expense	85	8,268	-	8,353
Travel and entertainment	2,948	3,575	1,017	7,540
Permits and licenses	1,049	6,269	-	7,318
Dues and subscriptions	412	3,997	2,844	7,253
Discretionary fund	2,080	2,080	2,080	6,240
Repairs and maintenance	2,173	2,891	-	5,064
Equipment rental	808	3,892	-	4,700
Miscellaneous	300	4,257	-	4,557
Counseling	4,073	-	-	4,073
Total expenses before depreciation and amortization	6,458,723	2,246,092	493,929	9,198,744
Depreciation and amortization	859,801	8,773	8,773	877,347
	<u>\$ 7,318,524</u>	<u>\$ 2,254,865</u>	<u>\$ 502,702</u>	<u>\$ 10,076,091</u>

See accompanying notes.

CURREY INGRAM ACADEMY
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Change in net assets:	\$ 1,918,162	\$ 2,693,056
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	840,912	873,412
Amortization	8,309	3,935
Unrealized loss (gain) on investments	184,455	(388,702)
Investment fees deducted from investments	13,175	11,624
Allowance for bad debts	655,761	41,812
Contributions restricted for long-term purposes	(3,067,247)	(2,907,597)
Changes in operating assets and liabilities:		
Accounts receivable	(56,989)	(133,503)
Pledges receivable	97,408	155,473
Prepaid expenses	24,069	(36,712)
Other assets	(2,389)	(2,980)
Accounts payable	563,000	61,965
Deferred revenues	771,929	(139,595)
Change in fair value of interest rate swap agreement	149,445	-
Accrued expenses	26,813	163,828
Net cash provided by operating activities	<u>2,126,813</u>	<u>396,016</u>
Cash flows from investing activities:		
Purchase of investments	(431,309)	(565,496)
Proceeds from sale of investments	291,835	222,798
Proceeds from contributions restricted for long-term purposes	3,233,500	1,935,327
Purchase of property and equipment	(2,371,699)	(180,116)
Net cash provided by investing activities	<u>722,327</u>	<u>1,412,513</u>
Cash flows from financing activities:		
Payments of bonds payable	(300,000)	(290,000)
Net payments on lines of credit	-	(240,201)
Net cash used in financing activities	<u>(300,000)</u>	<u>(530,201)</u>
Net increase in cash and cash equivalents	2,549,140	1,278,328
Cash and cash equivalents at beginning of year	<u>3,419,532</u>	<u>2,141,204</u>
Cash and cash equivalents at end of year	<u><u>\$ 5,968,672</u></u>	<u><u>\$ 3,419,532</u></u>
Supplemental disclosure of cash flow information:		
Interest paid	<u><u>\$ 242,289</u></u>	<u><u>\$ 251,213</u></u>

See accompanying notes.

CURREY INGRAM ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Currey Ingram Academy (“the Academy”) is a nonprofit kindergarten through twelfth grade college preparatory school for students with average to above average intelligence who have learning differences. The Academy’s major sources of funding are tuition payments and contributions from donors.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

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

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

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

Cash and Cash Equivalents

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

Accounts Receivable

Accounts receivable are reviewed periodically as to their collectibility. Uncollectible accounts are written off in the period in which they are determined to be uncollectible and are charged to bad debts. At June 30, 2008 and 2007 an allowance of \$220,693 and \$223,463 for bad debts has been estimated and recorded, respectively.

CURREY INGRAM ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

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

Allocated Expenses

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Accordingly, actual results could differ from those estimates.

Property and Equipment

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

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

Pledges Receivable

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

CURREY INGRAM ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledges Receivable (Continued)

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

The Academy uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. At June 30, 2008 and 2007, the allowance totaled \$658,531 and \$0, respectively.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense totaled \$45,021 and \$50,550 for the years ended June 30, 2008 and 2007, respectively.

Donated Materials, Services and Assets

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

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

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

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

CURREY INGRAM ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivative Instruments and Hedging Activities

The Academy has adopted SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended. SFAS No. 133 establishes accounting and reporting standards requiring that every derivative instrument be recorded in the statements of financial position as either an asset or as a liability measured at its estimated fair value. SFAS No. 133 requires that changes in the derivative's fair value be recognized currently in the statements of activities. On September 20, 2007, the Academy entered an interest rate swap agreement, effective October 1, 2007 which was considered to be a derivative.

Investments

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

NOTE 2 – INVESTMENTS

Investments at June 30 consist of the following:

	<u>2008</u>	<u>2007</u>
Mutual funds – equity funds	\$ 2,252,894	\$ 2,380,868
Mutual funds – bond funds	<u>1,286,115</u>	<u>1,216,297</u>
	<u>\$ 3,539,009</u>	<u>\$ 3,597,165</u>

The following schedule summarizes the investment return at June 30:

	<u>2008</u>	<u>2007</u>
Interest and dividends	\$ 304,498	\$ 212,955
Unrealized (losses) gains	<u>(184,455)</u>	<u>388,702</u>
	<u>\$ 120,043</u>	<u>\$ 601,657</u>

Subsequent to June 30, 2008 and through December 2, 2008, the investment market experienced a significant decline in value, which materially affected the value of the investments held by the Academy.

CURREY INGRAM ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007

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 pledges receivable are recorded at present value with a discount rate of 3.97% and 4.87% for the years ended June 30, 2008 and 2007, respectively.

The following are the future maturities of pledges receivable at June 30, 2008:

Year ending <u>June 30,</u>	
2009	\$ 1,002,868
2010	589,100
2011	372,000
2012	150,000
Less: discount to net present value	<u>(128,766)</u>
	<u>\$ 1,985,202</u>

NOTE 4 – OTHER ASSETS

At June 30, 2008 and 2007, other assets consisted of the following:

	<u>2008</u>	<u>2007</u>
Bond issuance costs	\$ 78,695	\$ 78,695
Accumulated amortization on bond costs	(20,657)	(14,223)
Underwriters' discount	37,500	37,500
Accumulated amortization on discount	(9,844)	(7,969)
Inventory	<u>19,057</u>	<u>16,668</u>
Total	<u>\$ 104,751</u>	<u>\$ 110,671</u>

NOTE 5 – LINE OF CREDIT

During fiscal year 2007 and portions of fiscal year 2008, the Academy maintained an unsecured line of credit payable to a financial institution that matured in April 2008. At June 30, 2007, the Academy had drawn \$0 from the total amount available. The amount available was \$250,000 at June 30, 2007, with interest payable at 7.75%.

CURREY INGRAM ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007

NOTE 6 – RESTRICTED NET ASSETS

At June 30, 2008 and 2007, the Academy had \$6,964,622 and \$6,035,015, respectively, held in assets whose use is restricted for future scholarships, capital purchases, and other designated uses as follows:

	<u>2008</u>	<u>2007</u>
Permanently restricted:		
Scholarship and other	\$ 2,634,006	\$ 2,550,411
Temporarily restricted:		
Capital purchases	3,451,546	3,359,285
Scholarship	220,039	103,791
Other	500	21,528
	<u>3,672,085</u>	<u>3,484,604</u>
	<u>\$ 6,306,091</u>	<u>\$ 6,035,015</u>

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	<u>2008</u>	<u>2007</u>
Buildings	\$17,805,521	\$17,805,521
Land	2,986,766	2,986,766
Furniture and equipment	2,399,523	2,283,965
Vehicles	164,566	142,665
Building improvements	87,252	87,252
Grounds equipment	48,726	46,553
Land improvements	33,544	4,368
Construction in progress	<u>2,520,435</u>	<u>317,545</u>
	26,046,333	23,674,635
Less accumulated depreciation	<u>(5,653,626)</u>	<u>(4,812,715)</u>
	<u>\$20,392,707</u>	<u>\$18,861,920</u>

CURREY INGRAM ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007

NOTE 7 – PROPERTY AND EQUIPMENT (Continued)

During fiscal year 2008 and 2007, respectively, the Academy incurred costs amounting to \$2,202,890, and \$317,545 which have been capitalized as construction in progress. These costs consist of architect and engineering fees, construction materials and builder fees incurred related to the construction of the Upper School building. The total anticipated cost for the Upper School is approximately \$10.7 million. The Academy intends to finance the project through capital campaign contributions. For the years ending June 30, 2008 and 2007, the Academy had depreciation expense of \$840,912 and \$873,412, respectively.

NOTE 8 – BONDS PAYABLE

On March 15, 2003, the Academy issued \$7,500,000 of Debenture Adjustable Rate Demand Development Revenue Bonds through a financial institution. Interest is due monthly on the last business day of each month. The interest rate is adjusted weekly and at June 30, 2008 and 2007, the rate was 1.59% and 3.86%, respectively.

During 2008, the Academy entered into an interest rate swap transaction in connection with the debt agreement to reduce exposure to interest rate increases. The swap transaction fixes the interest rate on the outstanding balance at 3.67% through October 1, 2015

Bonds payable mature as follows:

Year ending <u>June 30,</u>	Annual Principal Amount
2009	\$ 310,000
2010	320,000
2011	330,000
2012	340,000
2013	350,000
Thereafter	<u>4,710,000</u>
	<u>\$ 6,360,000</u>

The Academy is required to meet certain financial and nonfinancial covenants as specified in the bond documents. For the year ended June 30, 2008, the Academy met all financial covenants.

CURREY INGRAM ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007

NOTE 9 – INTEREST RATE SWAP AGREEMENT

The Academy entered into an interest rate swap agreement in 2008 to hedge against future changes in interest rates. Details of the interest rate swap agreement as of June 30, 2008 are as follows:

<u>Description</u>	<u>Termination Date</u>	<u>Notional Amount</u>	<u>Estimated Fair Value at June 30, 2008</u>
Interest rate swap agreement swapping a variable rate for a fixed rate of 3.67%.	October 1, 2015	\$ 6,360,000	\$ (149,445)

The Academy accounted for this interest rate swap agreement in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended, whereby the fair value of the liability of \$149,445 as of June 30, 2008 has been presented in the accompanying statement of financial position. The statement of activities for the year ended June 30, 2008 includes expense of \$149,445 to reflect the change in the valuation of the interest rate swap agreement.

NOTE 10 – 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 of each full-time employee and matches an additional 3.5% of any voluntary contribution from the employee. During the year ended June 30, 2005, the Academy amended its plan to contribute these amounts only for employees with service of five years or more. Benefits for existing employees were not changed. During the years ended June 30, 2008 and 2007, total employer contributions to the plan were \$108,857 and \$111,382, respectively.

The Academy also has a 457(f) deferred compensation plan for a key employee. Related accrued compensation expense as of June 30, 2008 and 2007 was \$741,934 and \$726,426, respectively. During the years ended June 30, 2008 and 2007, total employer expense related to the plan was \$15,508 and \$177,047, respectively.

NOTE 11 – LETTERS OF CREDIT

Prior to June 2008, the Organization maintained two letters of credit issued by a local financial institution totaling \$600,000. These letters of credit were be available in the event of noncompliance with certain performance bonds as required by Williamson County, Tennessee. Both of the letters of credit expired in June 2008.

The Academy also maintained a letter of credit issued by a local financial institution totaling \$7,582,192. This letter of credit would be available in the event that the Academy could not repay their bonds payable. The letter of credit expired on April 15, 2008.

CURREY INGRAM ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007

NOTE 12 – LEASE COMMITMENT

The Academy leases several copiers, computers, portable classrooms and other equipment under lease arrangements classified as operating leases. Total rent expense for the years ended June 30, 2008 and 2007 was \$318,192 and \$261,103, respectively. The leases are payable in monthly payments and expire at various times through September 2011.

Future minimum lease payments are as follows:

Year ending <u>June 30,</u>	
2009	\$ 315,905
2010	94,419
2011	73,692
2012	<u>5,333</u>
Total	<u>\$ 489,349</u>

NOTE 13 – 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, 2008 and 2007 totaled \$279,609 and \$358,111, respectively.

NOTE 14 – CONCENTRATIONS

The Academy's cash account balances at June 30, 2008 and 2007 exceeded Federal Deposit Insurance Corporation ("FDIC") insurance limits. In management's opinion, risk related to such deposits is reduced based on the credit quality of its depository financial institution.

At June 30, 2008, 67% of the pledges receivable were due to the Academy by four donors. At June 30, 2007, 83% of the pledges receivable were due to the Academy by four donors. For the year ended June 30, 2008, contributions from one donor represented approximately 27% of total contributions received by the Academy.

NOTE 15 – RECLASSIFICATIONS

Certain reclassifications have been made to 2007 balances to conform with 2008 presentation.

CURREY INGRAM ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007

NOTE 16 – SUBSEQUENT EVENT

Effective September 24, 2008, the Industrial Development Board of Williamson County, Tennessee granted the Academy \$7 million of revenue bonds to fund the Upper School construction project and the future expansion of gym facilities.