

CURREY INGRAM ACADEMY

FINANCIAL STATEMENTS

June 30, 2016 and 2015

CURREY INGRAM ACADEMY

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Currey Ingram Academy (the "Academy") (a not-for-profit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Frasier, Dan + Hand, PLLC

November 17, 2016

CURREY INGRAM ACADEMY
STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and 2015

Assets	2016	2015
Current assets:		
Cash and cash equivalents	\$ 4,055,831	\$ 3,612,203
Investments	4,424,646	4,573,129
Inventory	50,551	35,286
Accounts receivable, net of allowance of \$625,839 and \$615,616, respectively	235,632	221,019
Current pledges receivable, net of allowance of \$298,357 and \$544,357, respectively	72,757	903,479
Prepaid expenses	100,475	193,509
Total current assets	8,939,892	9,538,625
Pledges receivable, net of discount	8,633	29,203
Property and equipment, net of accumulated depreciation of \$17,889,717 and \$15,998,254, respectively	33,367,556	35,169,162
Other assets, net	69,855	79,273
Total assets	<u>\$ 42,385,936</u>	<u>\$ 44,816,263</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 187,517	\$ 337,116
Deferred revenues	2,620,578	3,002,684
Current installments of bonds payable	400,000	395,000
Current portion of capital lease	146,610	144,045
Interest rate swap	126,472	214,141
Total current liabilities	3,481,177	4,092,986
Capital lease, net of current portion	-	146,610
Note payable	585,876	585,876
Bonds payable, net of current installments	4,714,063	5,967,729
Total liabilities	8,781,116	10,793,201
Net assets:		
Unrestricted	30,487,966	30,101,971
Temporarily restricted	88,390	932,682
Permanently restricted	3,028,464	2,988,409
Total net assets	33,604,820	34,023,062
Total liabilities and net assets	<u>\$ 42,385,936</u>	<u>\$ 44,816,263</u>

See accompanying notes.

CURREY INGRAM ACADEMY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support:				
Contributions	\$ 1,686,536	\$ 7,000	\$ 40,055	\$ 1,733,591
Revenue:				
Tuition, net of financial aid of \$1,611,422	10,480,083	-	-	10,480,083
Diagnostic center	417,590	-	-	417,590
Child development center	342,788	-	-	342,788
Student activities income	231,981	-	-	231,981
Other	216,042	-	-	216,042
Tuition refund income	215,700	-	-	215,700
Student fees	200,019	-	-	200,019
Aftercare income	138,747	-	-	138,747
Application and enrollment fees	135,100	-	-	135,100
Investment interest and dividends	80,382	-	-	80,382
Finance charge income	42,221	-	-	42,221
In-kind income	26,756	-	-	26,756
Gain on sale of assets	5,363	-	-	5,363
Net assets released from restrictions	851,292	(851,292)	-	-
Total revenue	13,384,064	(851,292)	-	12,532,772
Unrealized loss on investments	(96,945)	-	-	(96,945)
Total public support, revenue and investment loss	14,973,655	(844,292)	40,055	14,169,418
Expenses:				
Program services	13,081,322	-	-	13,081,322
Supporting services:				
Management and general	1,260,302	-	-	1,260,302
Fundraising	246,036	-	-	246,036
Total supporting services	1,506,338	-	-	1,506,338
Total expenses	14,587,660	-	-	14,587,660
Change in net assets	385,995	(844,292)	40,055	(418,242)
Net assets at beginning of year	30,101,971	932,682	2,988,409	34,023,062
Net assets at end of year	\$30,487,966	\$ 88,390	\$ 3,028,464	\$33,604,820

See accompanying notes.

CURREY INGRAM ACADEMY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support:				
Contributions	\$ 2,213,686	\$ -	\$ 19,809	\$ 2,233,495
Revenue:				
Tuition, net of financial aid of \$1,555,760	10,180,537	-	-	10,180,537
Child development center	326,614	-	-	326,614
Diagnostic center	307,456	-	-	307,456
Other	215,265	-	-	215,265
Student activities income	214,883	-	-	214,883
Dewar's tuition refund	194,896	-	-	194,896
Student fees	150,884	-	-	150,884
Aftercare income	139,478	-	-	139,478
Application and enrollment fees	124,500	-	-	124,500
Investment interest and dividends	96,377	-	-	96,377
In-kind income	39,215	-	-	39,215
Finance charge income	34,081	-	-	34,081
Net assets released from restrictions	1,193,482	(1,193,482)	-	-
Total revenue	13,217,668	(1,193,482)	-	12,024,186
Unrealized gain on investments	87,385	-	-	87,385
Total public support, revenue and investment gain	15,518,739	(1,193,482)	19,809	14,345,066
Expenses:				
Program services	13,094,658	-	-	13,094,658
Supporting services:				
Management and general	1,279,754	-	-	1,279,754
Fundraising	640,556	-	-	640,556
Total supporting services	1,920,310	-	-	1,920,310
Total expenses	15,014,968	-	-	15,014,968
Change in net assets	503,771	(1,193,482)	19,809	(669,902)
Net assets at beginning of year	29,598,200	2,126,164	2,968,600	34,692,964
Net assets at end of year	\$30,101,971	\$ 932,682	\$ 2,988,409	\$34,023,062

See accompanying notes.

CURREY INGRAM ACADEMY
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2016

		<u>Supporting Services</u>		
	<u>Program</u>	<u>Management</u>		
	<u>Services</u>	<u>and</u>	<u>Fundraising</u>	<u>Total</u>
		<u>General</u>		
Salaries	\$ 6,407,443	\$ 632,344	\$ 98,606	\$ 7,138,393
Contract services	1,352,359	306,146	10,944	1,669,449
Payroll taxes and employee benefits	1,217,406	64,666	15,133	1,297,205
Utilities	375,862	-	-	375,862
Investment and debt fees	283,641	41,461	-	325,102
Materials and supplies	197,139	98,447	6,662	302,248
Student contract discount	206,724	-	-	206,724
Advertising and public relations	134,002	-	67,281	201,283
Student activities	176,077	1,300	10,723	188,100
Miscellaneous	128,384	7,997	26,756	163,137
Insurance	132,068	-	-	132,068
Tuition refund program	101,117	-	-	101,117
Copier rent expense	87,541	-	-	87,541
Bad debt	57,762	-	-	57,762
Professional development	47,741	8,105	1,369	57,215
Equipment	12,388	39,653	-	52,041
Technology	45,294	673	-	45,967
Legal fees	10,354	23,277	-	33,631
Membership, subscriptions, books, and dues	26,953	2,272	2,891	32,116
Audit	-	29,400	-	29,400
Athletic	24,925	-	-	24,925
Entertainment and hospitality	17,348	1,037	3,129	21,514
Postage	3,601	2,212	2,542	8,355
Permits and licenses	1,990	1,312	-	3,302
	<u>11,048,119</u>	<u>1,260,302</u>	<u>246,036</u>	<u>12,554,457</u>
Depreciation and amortization	<u>2,033,203</u>	<u>-</u>	<u>-</u>	<u>2,033,203</u>
	<u><u>\$ 13,081,322</u></u>	<u><u>\$ 1,260,302</u></u>	<u><u>\$ 246,036</u></u>	<u><u>\$ 14,587,660</u></u>

See accompanying notes.

CURREY INGRAM ACADEMY
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2015

		<u>Supporting Services</u>		
	<u>Program</u>	<u>Management</u>	<u>Fundraising</u>	<u>Total</u>
	<u>Services</u>	<u>and</u>		
		<u>General</u>		
Salaries	\$ 6,276,472	\$ 570,294	\$ 387,869	\$ 7,234,635
Contract services	1,435,981	79,182	8,071	1,523,234
Payroll taxes and employee benefits	1,124,492	74,966	49,977	1,249,435
Bad debt	173,040	246,000	-	419,040
Investment and debt fees	326,411	21,958	629	348,998
Utilities	321,687	-	-	321,687
Materials and supplies	222,942	86,024	5,121	314,087
Advertising and public relations	129,228	45,525	122,778	297,531
Student contract discount	210,123	-	-	210,123
Dewar's tuition insurance	195,774	-	-	195,774
Insurance	153,393	-	-	153,393
Student activities	129,578	2,632	8,782	140,992
Miscellaneous	30,365	31,391	40,025	101,781
Copier rent expense	86,330	-	-	86,330
Technology	68,516	5,606	-	74,122
Professional development	43,111	6,319	6,713	56,143
Equipment	12,386	43,404	-	55,790
Membership, subscriptions, books, and dues	34,824	12,416	2,202	49,442
Athletic	35,780	658	1,416	37,854
Audit	-	28,400	-	28,400
Legal fees	1,365	19,977	-	21,342
Entertainment and hospitality	9,473	295	3,377	13,145
Postage	5,327	3,455	3,583	12,365
Permits and licenses	1,982	1,252	13	3,247
	<u>11,028,580</u>	<u>1,279,754</u>	<u>640,556</u>	<u>12,948,890</u>
Depreciation and amortization	<u>2,066,078</u>	<u>-</u>	<u>-</u>	<u>2,066,078</u>
	<u><u>\$ 13,094,658</u></u>	<u><u>\$ 1,279,754</u></u>	<u><u>\$ 640,556</u></u>	<u><u>\$ 15,014,968</u></u>

See accompanying notes.

CURREY INGRAM ACADEMY
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ (418,242)	\$ (669,902)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,023,785	2,056,659
Amortization	9,418	9,419
Unrealized loss (gain) on investments	96,945	(87,385)
Contributions restricted for long-term purposes	(13,238)	(59,467)
Gain on sale of equipment	(5,363)	-
Allowance for bad debts	10,223	273,092
Changes in operating assets and liabilities:		
Inventory	(15,265)	(856)
Accounts receivable	(24,836)	222,986
Pledges receivable	(16,600)	41,944
Prepaid expenses	93,034	(62,180)
Accounts payable and accrued expenses	(149,599)	49,175
Deferred revenues	(382,106)	(87,192)
Change in estimated fair value of interest rate swap agreement	(87,669)	(86,109)
Net cash provided by operating activities	<u>1,120,487</u>	<u>1,600,184</u>
Cash flows from investing activities:		
Purchase of investments	(91,992)	(1,123,605)
Proceeds from sale of investments	143,530	923,755
Purchases of equipment	(222,179)	(147,253)
Sale of equipment	5,363	-
Net cash used in investing activities	<u>(165,278)</u>	<u>(347,103)</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term purposes	881,130	882,844
Payments of bonds payable	(1,248,666)	(1,239,703)
Payments on note payable	-	(500,000)
Payments on capital lease	(144,045)	(149,219)
Net cash used in financing activities	<u>(511,581)</u>	<u>(1,006,078)</u>
Net increase in cash and cash equivalents	443,628	247,003
Cash and cash equivalents at beginning of year	<u>3,612,203</u>	<u>3,365,200</u>
Cash and cash equivalents at end of year	<u><u>\$ 4,055,831</u></u>	<u><u>\$ 3,612,203</u></u>

See accompanying notes.

CURREY INGRAM ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

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. As of June 30, 2016 and 2015, cash and cash equivalents include a debt service reserve of \$250,000 which was maintained in accordance with a bond agreement. Subsequent to June 30, 2016 and before the issuance of this report, funds from this reserve were used to pay the outstanding note payable balance (see Note 7).

CURREY INGRAM ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2016 and 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

The Academy accounts for investments under Financial Accounting Standards Board Accounting Standards Codification (“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 statements 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.

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, 2016 and 2015, an allowance for bad debts of \$625,839 and \$615,616 has been estimated and recorded, respectively.

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, 2016 and 2015, the allowance totaled \$298,357 and \$544,357, respectively.

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

CURREY INGRAM ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2016 and 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (Continued)

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

Deferred Revenues

Deferred revenues represent advance tuition, fee payments, and deposits for the upcoming academic year. Such amounts are recognized as revenue in the year to which they apply.

Derivative Instruments and Hedging Activities

The Academy follows FASB ASC guidance for accounting for derivatives. The guidance establishes accounting and reporting standards requiring that every derivative instrument be recorded in the statements of financial position as either an asset or as a liability measured at its estimated fair value. The guidance also requires that changes in the derivative's fair value be recognized currently in the statements of activities. See Note 9 for detail of the Academy's interest rate swap agreement, which is considered to be a derivative.

Restricted Endowment Funds

The Uniform Prudent Management of 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.

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

CURREY INGRAM ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2016 and 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expense Allocation

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

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense totaled \$201,283 and \$297,531 for the years ended June 30, 2016 and 2015, 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 at date of receipt. 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.

Use of Estimates

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

CURREY INGRAM ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2016 and 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

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

The Academy follows FASB ASC guidance clarifying the accounting for uncertainty in income taxes recognized in an entity's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being recognized 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, 2014 through June 30, 2016.

Subsequent Events

The Academy has evaluated events and transactions that occurred through November 17, 2016, the date the financial statements were available to be issued. Except for the item described in Note 7, the Academy 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 financial statements.

NOTE 2 – INVESTMENTS AND FAIR VALUE MEASUREMENT

The Academy follows the provisions of the Fair Value Measurement Topic of the FASB ASC. This guidance establishes a framework for measuring fair value for financial assets and financial liabilities. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below.

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Academy has the ability to access.

CURREY INGRAM ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2016 and 2015

NOTE 2 – INVESTMENTS AND FAIR VALUE MEASUREMENT (Continued)

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by the observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the methodologies used at June 30, 2016 and 2015. A description of the 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.

Mutual funds – the fair value of 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 interest rate swap (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.

CURREY INGRAM ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2016 and 2015

NOTE 2 – INVESTMENTS AND FAIR VALUE MEASUREMENT (Continued)

The following table sets forth by level, within the fair value hierarchy, the Academy's assets and liabilities at fair value as of June 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Commonfund – equity funds	\$ -	\$ 3,018,760	\$ -	\$ 3,018,760
Mutual funds – bond funds	1,361,481	-	-	1,361,481
Money market	<u>44,405</u>	<u>-</u>	<u>-</u>	<u>44,405</u>
Total investments at fair value	<u>\$ 1,405,886</u>	<u>\$ 3,018,760</u>	<u>\$ -</u>	<u>\$ 4,424,646</u>
Interest rate swap liability	<u>\$ -</u>	<u>\$ (126,472)</u>	<u>\$ -</u>	<u>\$ (126,472)</u>

The following table sets forth by level, within the fair value hierarchy, the Academy's assets and liabilities at fair value as of June 30, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Commonfund – equity funds	\$ -	\$ 3,222,264	\$ -	\$ 3,222,264
Mutual funds – bond funds	1,310,857	-	-	1,310,857
Money market	<u>40,008</u>	<u>-</u>	<u>-</u>	<u>40,008</u>
Total investments at fair value	<u>\$ 1,350,865</u>	<u>\$ 3,222,264</u>	<u>\$ -</u>	<u>\$ 4,573,129</u>
Interest rate swap liability	<u>\$ -</u>	<u>\$ (214,141)</u>	<u>\$ -</u>	<u>\$ (214,141)</u>

The following schedule summarizes the investment return at June 30:

	<u>2016</u>	<u>2015</u>
Investment interest and dividends	\$ 80,382	\$ 96,377
Unrealized (loss) gain	<u>(96,945)</u>	<u>87,385</u>
Net investment (loss) gain	<u>\$ (16,563)</u>	<u>\$ 183,762</u>

NOTE 3 – PLEDGES RECEIVABLE

The Academy has received pledges for contributions for the construction of new buildings on campus and the unrestricted annual fund. The discount rate used to determine the present value of pledges receivable was 2.39% at June 30, 2016 and 3.02% at June 30, 2015.

CURREY INGRAM ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2016 and 2015

NOTE 3 – PLEDGES RECEIVABLE (Continued)

The following are the future maturities of pledges receivable at June 30, 2016:

Year ending		
<u>June 30,</u>		
2017	\$	371,114
2018		9,625
2019		<u>1,000</u>
Gross pledges receivable		381,739
Less: discount to net present value		(1,992)
Less: allowance for uncollectible pledges		<u>(298,357)</u>
Pledges receivable, net	\$	<u>81,390</u>

Pledges receivable are scheduled to be received as follows:

	<u>2016</u>	<u>2015</u>
Receivable in less than one year, net	\$ 72,757	\$ 903,479
Receivable in one to five years, net	<u>8,633</u>	<u>29,203</u>
	<u>\$ 81,390</u>	<u>\$ 932,682</u>

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	<u>2016</u>	<u>2015</u>
Buildings	\$ 41,936,675	\$ 41,889,583
Furniture and equipment	5,036,977	5,023,094
Land	2,986,766	2,986,766
Building improvements	574,558	511,488
Land improvements	471,776	447,557
Vehicles	155,777	191,586
Grounds equipment	82,296	81,896
Construction in progress	<u>12,448</u>	<u>35,446</u>
	51,257,273	51,167,416
Less accumulated depreciation	<u>(17,889,717)</u>	<u>(15,998,254)</u>
	<u>\$ 33,367,556</u>	<u>\$ 35,169,162</u>

CURREY INGRAM ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2016 and 2015

NOTE 4 – PROPERTY AND EQUIPMENT (Continued)

At June 30, 2016 and 2015, construction in progress primarily consists of architect and engineering fees incurred related to the construction of a sports pavilion and improvement costs for the student center and the student athletic center.

For the years ending June 30, 2016 and 2015, the Academy had depreciation expense of \$2,023,785 and \$2,056,659 respectively.

NOTE 5 – OTHER ASSETS

Other assets consists of the following at June 30:

	<u>2016</u>	<u>2015</u>
Bond issuance costs	\$ 133,695	\$ 133,695
Accumulated amortization on bond costs	(77,092)	(69,460)
Underwriters' discount	37,500	37,500
Accumulated amortization on discount	<u>(24,248)</u>	<u>(22,462)</u>
Total	<u>\$ 69,855</u>	<u>\$ 79,273</u>

For the years ending June 30, 2016 and 2015, amortization expense totaled \$9,418 and \$9,419, respectively.

NOTE 6 – BONDS PAYABLE

On March 15, 2003, the Academy issued \$7,500,000 of Debenture Adjustable Rate Demand Development Revenue Bonds through a financial institution. The bonds required interest at a fixed rate in accordance with the swap agreement (described in Note 9) plus a variable rate. The variable interest rate was adjusted weekly based upon LIBOR plus an agreed upon factor. Interest was due monthly on the last business day of each month.

Effective October 20, 2009, the bonds payable were refinanced through an agreement with the Industrial Development Board of Williamson County, Tennessee ("IDB"). Under this agreement, the IDB issued \$6,105,000 in Educational Facilities Revenue Refunding Bonds, and loaned the proceeds of this bond issuance to the Academy through a loan agreement with a financial institution. Principal payments are due annually with monthly interest payments at a variable rate based on LIBOR (2.02% at June 30, 2016). The maturity date of the agreement is December 1, 2023. Amounts outstanding at June 30, 2016 and 2015 are \$3,590,000 and \$3,985,000, respectively.

CURREY INGRAM ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2016 and 2015

NOTE 6 – BONDS PAYABLE (Continued)

On May 3, 2013, the IDB issued an additional \$4,100,000 in Educational Facilities Revenue Bonds and loaned the proceeds of the bond issuance to the Academy through a loan agreement with a financial institution. Advances were disbursed to the Academy on a line of credit basis, as construction progressed. At June 30, 2016 and 2015, amounts outstanding under the agreement are \$1,524,063 and \$2,377,729, respectively. Interest is due monthly under the agreement at a variable rate based on LIBOR (2.14% at June 30, 2016). The principal is due upon maturity on March 30, 2018.

Maturities of bonds payable are as follows:

<u>Year ending June 30,</u>	<u>Annual Principal Amount</u>
2017	\$ 400,000
2018	1,939,063
2019	425,000
2020	440,000
2021	455,000
Thereafter	<u>1,455,000</u>
	<u>\$ 5,114,063</u>

The Academy is required to meet certain financial and nonfinancial covenants as specified in the bond documents. For the years ended June 30, 2016 and 2015, the Academy was in compliance with all financial covenants.

NOTE 7 – NOTE PAYABLE

Effective September 24, 2008, the IDB issued \$7 million of revenue bonds to a financial institution to fund the Academy's Upper School construction project and the future expansion of gym facilities. Effective November 20, 2008, the financial institution entered into a loan agreement with the Academy, allowing borrowings up to \$7 million to fund construction projects. In September 2009, the loan agreement was amended to provide for a principal amount up to \$5.5 million and a change in the interest rate. Interest accrues on the outstanding principal balance and is calculated at a variable rate based on LIBOR (2.02% at June 30, 2016). All principal amounts outstanding under the agreement are due November 1, 2016. At June 30, 2016 and 2015, \$585,876 was outstanding under this agreement. Subsequent to June 30, 2016 and before issuance of this report, the note was paid in full.

CURREY INGRAM ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2016 and 2015

NOTE 7 – NOTE PAYABLE (Continued)

The Academy is required to meet certain financial and nonfinancial covenants as specified in the loan agreement. For the years ended June 30, 2016 and 2015, the Academy was in compliance with all financial covenants.

NOTE 8 – LINE OF CREDIT

In June 2014, the Academy entered into a \$500,000 line of credit agreement with a financial institution. The line matured April 30, 2016 and was extended through April 28, 2017 under the same terms. The line of credit has a variable interest rate based upon LIBOR plus 2.00% and requires the Academy to maintain a zero balance outstanding on the line for at least one thirty consecutive day period. There were no amounts outstanding on the line of credit at June 30, 2016 and 2015.

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. The interest rate swap agreement swapped a variable rate for a fixed rate of 3.49%. The notional amount on the swap was \$4,740,000 with a termination date of October 1, 2015.

During October 2013, this swap agreement was terminated and replaced by a new interest rate swap agreement. Details of the new agreement are as follows:

<u>Description</u>	<u>Effective Date</u>	<u>Termination Date</u>	<u>Notional Amount</u>
Interest rate swap agreement swapping a variable rate for a fixed rate of 3.14%.	October 9, 2013	November 1, 2023	\$ 4,740,000

The Academy accounted for these interest rate swap agreements 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 statements of activities for the years ended June 30, 2016 and 2015 include \$87,669 and \$86,109, respectively, of unrealized appreciation to reflect the change in the valuation of the interest rate swap agreements. The notional amount of the agreement is \$3,590,000 and \$3,905,000 at June 30, 2016 and 2015, respectively. The estimated fair values at June 30, 2016 and 2015 are \$(126,472) and \$(214,141), respectively.

CURREY INGRAM ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2016 and 2015

NOTE 10 – UNRESTRICTED NET ASSETS

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

	<u>2016</u>	<u>2015</u>
Board designated:		
Scholarship endowment	\$ 1,417,703	\$ 1,620,475
Deferred maintenance	519,618	519,618
Tuition refund program	<u>114,583</u>	<u>-</u>
Total board designated	2,051,904	2,140,093
Undesignated	<u>28,436,062</u>	<u>27,961,878</u>
	<u>\$ 30,487,966</u>	<u>\$ 30,101,971</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 specified purposes.

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

	<u>2016</u>	<u>2015</u>
Pledges receivable – time restricted	\$ 81,390	\$ 932,682
Scholarships	<u>7,000</u>	<u>-</u>
	<u>\$ 88,390</u>	<u>\$ 932,682</u>

NOTE 12 – TEMPORARILY RESTRICTED CONTRIBUTIONS AND RELATED EXPENSES

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

	<u>2016</u>		<u>2015</u>	
	<u>Contributions</u>	<u>Expenses/ Releases</u>	<u>Contributions</u>	<u>Expenses/ Releases</u>
Scholarships	\$ 7,000	\$ -	\$ -	\$ -
Pledges receivable – time restricted	-	851,292	-	1,111,321
Marketing initiative	<u>-</u>	<u>-</u>	<u>-</u>	<u>82,161</u>
Total	<u>\$ 7,000</u>	<u>\$ 851,292</u>	<u>\$ -</u>	<u>\$ 1,193,482</u>

CURREY INGRAM ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2016 and 2015

NOTE 13 – ENDOWMENT

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

	<u>2016</u>	<u>2015</u>
Scholarship and other	\$ 3,028,464	\$ 2,988,409

The dividend and interest income earned on permanently restricted net assets is available to the Academy to provide scholarships and financial assistance. The Academy's endowment consists of board designated and donor restricted gifts held in cash and investment accounts. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of the Academy has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Academy classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Academy in a manner consistent with the standard of prudence prescribed by UPMIFA.

Endowment Net Asset Composition by Type of Fund as of June 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$ -	\$ 3,028,464	\$ 3,028,464
Board designated endowment funds	<u>1,417,703</u>	<u>-</u>	<u>-</u>	<u>1,417,703</u>
Total funds	<u>\$ 1,417,703</u>	<u>\$ -</u>	<u>\$ 3,028,464</u>	<u>\$ 4,446,167</u>

CURREY INGRAM ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2016 and 2015

NOTE 13 – ENDOWMENT (Continued)

Changes in Endowment Net Assets for the fiscal year ended June 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,620,475	\$ -	\$ 2,988,409	\$ 4,608,884
Investment activity:				
Interest and dividends	80,382	-	-	80,382
Net depreciation	(96,945)	-	-	(96,945)
Investment fees	(12,291)	-	-	(12,291)
Total investment activity	<u>(28,854)</u>	<u>-</u>	<u>-</u>	<u>(28,854)</u>
Contributions	<u>-</u>	<u>-</u>	<u>40,055</u>	<u>40,055</u>
Appropriations	<u>(173,918)</u>	<u>-</u>	<u>-</u>	<u>(173,918)</u>
Endowment net assets, end of year	<u>\$ 1,417,703</u>	<u>\$ -</u>	<u>\$ 3,028,464</u>	<u>\$ 4,446,167</u>

Endowment Net Asset Composition by Type of Fund as of June 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$ -	\$ 2,988,409	\$ 2,988,409
Board designated endowment funds	<u>1,620,475</u>	<u>-</u>	<u>-</u>	<u>1,620,475</u>
Total funds	<u>\$ 1,620,475</u>	<u>\$ -</u>	<u>\$ 2,988,409</u>	<u>\$ 4,608,884</u>

CURREY INGRAM ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2016 and 2015

NOTE 13 – ENDOWMENT (Continued)

Changes in Endowment Net Assets for the fiscal year ended June 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,489,704	\$ -	\$ 2,968,600	\$ 4,458,304
Investment return:				
Interest and dividends	96,377	-	-	96,377
Net appreciation	<u>87,385</u>	<u>-</u>	<u>-</u>	<u>87,385</u>
Total investment return	<u>183,762</u>	<u>-</u>	<u>-</u>	<u>183,762</u>
Contributions	<u>-</u>	<u>-</u>	<u>19,809</u>	<u>19,809</u>
Appropriations	<u>(52,991)</u>	<u>-</u>	<u>-</u>	<u>(52,991)</u>
Endowment net assets, end of year	<u>\$ 1,620,475</u>	<u>\$ -</u>	<u>\$ 2,988,409</u>	<u>\$ 4,608,884</u>

Endowment Investment Policy and Risk Parameters

The Academy has adopted investment and spending policies for endowment assets to support the Academy and its mission over the long term, through the preservation of cash and reserves, while producing market-level income. Endowment assets include those assets of donor-restricted funds that the Academy must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Trustees, the general policy is to diversify investments among both equity and fixed income securities so as to enhance total return while avoiding undue risk concentration in any investment class. The endowment assets are to be allocated among certain pre-specified asset classes, including domestic equity, domestic fixed income, international equity, international fixed income, real estate, venture capital, and private equity. Investments of a single issuer may not exceed 5% of the total market value of the endowment, with the exception of U.S. government holdings.

Strategies Employed for Achieving Investment Objectives

To satisfy its long term objectives, the Academy relies on a strategy meant to preserve the principal of operating cash and reserves while producing market-level income. The objective is for the endowment to realize absolute rate-of-return of 5%, to realize rates of return commensurate with relative capital market measures, such as securities indices, and to achieve a total rate of return that is above median performance of similarly managed funds over a time period.

CURREY INGRAM ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2016 and 2015

NOTE 13 – ENDOWMENT (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

For the year ended June 30, 2015, the Academy had a policy of appropriating dividend and interest income from the endowment fund for scholarships and financial assistance. In July 2015, the policy was revised to allow for the appropriation of annual distributions up to 4% of the three year historical average of the endowment fund for scholarships and financial assistance.

NOTE 14 – LETTERS OF CREDIT

At June 30, 2016 and 2015, the Academy maintained two letters of credit issued by a local financial institution totaling \$165,000. These letters of credit will be available in the event of noncompliance with certain performance bonds as required by Williamson County, Tennessee and the State of Tennessee.

NOTE 15 – DEFERRED COMPENSATION PLANS

The Academy has a 403(b) tax deferred annuity plan covering substantially all employees. The employer matches eligible employee voluntary contributions up to 5% of the employee's gross salary. The Academy also has a 457(f) deferred compensation plan for a key employee.

During the years ended June 30, 2016 and 2015, total employer contributions to the plans were \$294,937 and \$232,340, respectively.

NOTE 16 – LEASE COMMITMENTS

The Academy has leased copiers under lease arrangements classified as operating leases. Total rent expense for the years ended June 30, 2016 and 2015 was \$87,541 and \$86,330, respectively. The leases are payable in monthly payments and expire at various times through fiscal year 2018.

Future minimum lease payments are as follows:

Year ending <u>June 30,</u>	
2017	\$ 71,929
2018	<u>2,643</u>
Total	<u>\$ 74,572</u>

CURREY INGRAM ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2016 and 2015

NOTE 16 – LEASE COMMITMENTS (Continued)

During June 2014, the Academy entered into a noncancelable computer lease classified as a capital lease. The computers under this capital lease were recorded as equipment purchases totaling \$439,874, which is the present value of the required lease payments upon inception. The lease agreement period approximates the economic life of the assets and expires in September 2016.

Future minimum lease payments required under the noncancelable capital lease as of June 30, 2016 are as follows:

Year ending <u>June 30,</u>	
2017	\$ 149,220
Less interest imputed at a rate of 1.78%	<u>(2,610)</u>
Present value of future minimum lease payments	<u>\$ 146,610</u>

NOTE 17 – VANDERBILT SCHOLARSHIP GIFT AGREEMENT

In 2004, one benefactor donated funds to the Vanderbilt University Endowment Fund under an agreement which states that any income, up to 4.5%, generated from this gift is to be given to the Currey Ingram Academy Scholarship Fund (the "Fund"). Qualified recipients of this scholarship were children of full-time employees of Vanderbilt University. During April 2016, the Fund amended its agreement to extend scholarship opportunities to include children of full-time employees of Vanderbilt University and Vanderbilt University Medical Center. Contributions from Vanderbilt University Endowment Fund to the Academy during the years ended June 30, 2016 and 2015 totaled \$303,300 and \$243,424 respectively.

NOTE 18 – CONCENTRATIONS

The Academy's cash account balances at June 30, 2016 and 2015 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, 2016, 79% of the pledges receivable was due to the Academy by one donor. At June 30, 2015, 94% of the pledges receivable were due to the Academy by three donors. For the years ended June 30, 2016 and 2015, contributions from two donors represented approximately 77% and 78%, respectively, of total contributions received by the Academy. A significant reduction in the level of support from these donors could have an adverse effect on the operations of the Academy.

CURREY INGRAM ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2016 and 2015

NOTE 19 – RELATED PARTY TRANSACTIONS

The Academy occasionally purchases goods or services at commercially reasonable rates from companies or organizations that are affiliated with or owned, directly or indirectly, by members of the Board of Trustees. All such purchases are reviewed and approved in accordance with the Academy's purchasing policy. For the years ended June 30, 2016 and 2015, the Academy incurred legal expenses from law firms affiliated with members of the Board of Trustees totaling \$20,798 and \$22,522, respectively.

NOTE 20 – SUPPLEMENTAL CASH FLOW INFORMATION

The following is supplemental cash flow information required by accounting principles generally accepted in the United States of America.

Supplemental Cash Flow Information

	<u>2016</u>	<u>2015</u>
Cash paid during the year for interest	<u>\$ 245,001</u>	<u>\$ 276,430</u>