

CURREY INGRAM ACADEMY

FINANCIAL STATEMENTS

June 30, 2014 and 2013

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, 2014 and 2013, 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, 2014 and 2013, 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 Dean + Hunt, PLLC

December 3, 2014

CURREY INGRAM ACADEMY
STATEMENTS OF FINANCIAL POSITION
June 30, 2014 and 2013

	Assets	
	2014	2013
Current assets:		
Cash and cash equivalents	\$ 3,365,200	\$ 2,371,677
Investments	4,285,894	3,682,743
Inventory	34,430	33,277
Accounts receivable, net of allowance of \$588,524 and \$600,703, respectively	471,097	241,651
Current pledges receivable, net of allowance of \$298,357 and \$298,357, respectively	1,120,875	1,008,416
Prepaid expenses	131,329	61,823
Total current assets	9,408,825	7,399,587
Pledges receivable, net of discount	923,128	1,721,776
Property and equipment, net of accumulated depreciation of \$13,941,596 and \$12,303,511, respectively	37,078,568	37,124,398
Other assets, net	88,692	98,111
Total assets	<u>\$ 47,499,213</u>	<u>\$ 46,343,872</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 287,941	\$ 1,136,276
Deferred revenues	3,089,876	2,316,006
Current installments of bonds payable	385,000	370,000
Current portion of capital lease	149,219	133,462
Interest rate swap agreement	300,250	324,290
Line of credit	-	250,000
Total current liabilities	4,212,286	4,530,034
Capital lease, net of current portion	290,655	-
Note payable	1,085,876	1,085,876
Bonds payable, net of current installments	7,217,432	7,336,863
Total liabilities	12,806,249	12,952,773
Net assets:		
Unrestricted	29,598,200	27,851,031
Temporarily restricted	2,126,164	2,730,192
Permanently restricted	2,968,600	2,809,876
Total net assets	34,692,964	33,391,099
Total liabilities and net assets	<u>\$ 47,499,213</u>	<u>\$ 46,343,872</u>

See accompanying notes.

CURREY INGRAM ACADEMY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support:				
Contributions	<u>\$ 4,346,530</u>	<u>\$ 100,000</u>	<u>\$ 158,724</u>	<u>\$ 4,605,254</u>
Revenue:				
Tuition, net of financial aid of \$1,476,649	9,596,676	-	-	9,596,676
Diagnostic center	344,752	-	-	344,752
Child development center	262,017	-	-	262,017
Dewar's tuition refund	229,613	-	-	229,613
Student activities income	202,944	-	-	202,944
Other	180,930	-	-	180,930
Aftercare income	151,560	-	-	151,560
Student fees	139,178	-	-	139,178
Application and enrollment fees	128,500	-	-	128,500
Investment interest and dividends	63,478	-	-	63,478
Gain on sale of assets	62,133	-	-	62,133
In-kind income	55,840	-	-	55,840
Finance charge income	52,943	-	-	52,943
Net assets released from restrictions	<u>704,028</u>	<u>(704,028)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>12,174,592</u>	<u>(704,028)</u>	<u>-</u>	<u>11,470,564</u>
Unrealized gain on investments	<u>583,086</u>	<u>-</u>	<u>-</u>	<u>583,086</u>
Total public support, revenue and investment gain	<u>17,104,208</u>	<u>(604,028)</u>	<u>158,724</u>	<u>16,658,904</u>
Expenses:				
Program services	<u>13,431,479</u>	<u>-</u>	<u>-</u>	<u>13,431,479</u>
Supporting services:				
Management and general	1,173,692	-	-	1,173,692
Fundraising	<u>751,868</u>	<u>-</u>	<u>-</u>	<u>751,868</u>
Total supporting services	<u>1,925,560</u>	<u>-</u>	<u>-</u>	<u>1,925,560</u>
Total expenses	<u>15,357,039</u>	<u>-</u>	<u>-</u>	<u>15,357,039</u>
Change in net assets	1,747,169	(604,028)	158,724	1,301,865
Net assets at beginning of year	<u>27,851,031</u>	<u>2,730,192</u>	<u>2,809,876</u>	<u>33,391,099</u>
Net assets at end of year	<u>\$29,598,200</u>	<u>\$ 2,126,164</u>	<u>\$ 2,968,600</u>	<u>\$34,692,964</u>

See accompanying notes.

CURREY INGRAM ACADEMY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support:				
Contributions	\$ 1,756,758	\$ 9,542,987	\$ 9,250	\$11,308,995
Revenue:				
Tuition, net of financial aid of \$1,340,516	9,079,735	-	-	9,079,735
Other	334,324	-	-	334,324
Diagnostic center	304,280	-	-	304,280
Child development center	260,586	-	-	260,586
Dewar's tuition refund	202,779	-	-	202,779
Student activities income	187,681	-	-	187,681
Aftercare income	166,495	-	-	166,495
Application and enrollment fees	124,450	-	-	124,450
Student fees	105,778	-	-	105,778
Investment interest and dividends	75,338	-	-	75,338
Finance charge income	36,991	-	-	36,991
In-kind income	16,790	-	-	16,790
Loss on sale of assets	(13,328)	-	-	(13,328)
Net assets released from restrictions	6,944,955	(6,944,955)	-	-
Total revenue	17,826,854	(6,944,955)	-	10,881,899
Unrealized gain on investments	381,256	-	-	381,256
Total public support, revenue and investment gain	19,964,868	2,598,032	9,250	22,572,150
Expenses:				
Program services	12,867,841	-	-	12,867,841
Supporting services:				
Management and general	1,150,375	-	-	1,150,375
Fundraising	812,684	-	-	812,684
Total supporting services	1,963,059	-	-	1,963,059
Total expenses	14,830,900	-	-	14,830,900
Change in net assets	5,133,968	2,598,032	9,250	7,741,250
Net assets at beginning of year	22,717,063	132,160	2,800,626	25,649,849
Net assets at end of year	\$27,851,031	\$ 2,730,192	\$ 2,809,876	\$33,391,099

See accompanying notes.

CURREY INGRAM ACADEMY
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2014

		<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	\$ 6,405,669	\$ 593,477	\$ 431,431	\$ 7,430,577
Contract services	1,611,567	163,173	18,616	1,793,356
Payroll taxes and employee benefits	1,044,841	105,745	77,183	1,227,769
Utilities	424,916	-	-	424,916
Investment and debt fees	335,955	21,697	666	358,318
Materials and supplies	205,800	110,207	16,310	332,317
Advertising and public relations	83,782	42,354	111,132	237,268
Dewar's tuition insurance	235,741	-	-	235,741
Student contract discount	223,058	-	-	223,058
Student activities	133,264	1,543	18,357	153,164
Miscellaneous	72,909	20,287	57,881	151,077
Insurance	142,494	-	-	142,494
Copier	121,568	-	-	121,568
Bad debt	118,092	-	-	118,092
Professional development	47,658	1,563	11,238	60,459
Technology	58,653	481	-	59,134
Equipment	23,581	26,110	27	49,718
Legal fees	185	44,781	-	44,966
Membership, subscriptions, books, and dues	29,547	7,806	536	37,889
Athletic	32,627	1,456	2,374	36,457
Audit	-	28,200	-	28,200
Postage	7,720	2,746	4,727	15,193
Entertainment and hospitality	7,963	94	1,380	9,437
Permits and licenses	2,321	1,972	10	4,303
Total expenses before depreciation and amortization	11,369,911	1,173,692	751,868	13,295,471
Depreciation and amortization	2,061,568	-	-	2,061,568
	<u>\$13,431,479</u>	<u>\$ 1,173,692</u>	<u>\$ 751,868</u>	<u>\$ 15,357,039</u>

See accompanying notes.

CURREY INGRAM ACADEMY
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2013

		<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	\$ 6,421,823	\$ 461,788	\$ 590,283	\$ 7,473,894
Contract services	1,533,341	151,542	8,039	1,692,922
Payroll taxes and employee benefits	981,465	70,576	90,215	1,142,256
Investment and debt fees	413,880	2,355	-	416,235
Utilities	373,531	-	-	373,531
Student contract discount	284,715	-	-	284,715
Materials and supplies	179,497	90,560	10,591	280,648
Legal fees	-	257,942	-	257,942
Dewar's tuition insurance	203,511	-	-	203,511
Advertising and public relations	73,482	26,159	84,049	183,690
Student activities	157,444	11	12,764	170,219
Miscellaneous	124,698	22,759	750	148,207
Bad debt	141,995	-	-	141,995
Insurance	140,254	-	-	140,254
Copier	132,690	-	-	132,690
Technology	61,737	1,020	1,000	63,757
Professional development	42,345	505	4,744	47,594
Membership, subscriptions, books, and dues	39,944	4,750	2,151	46,845
Equipment	19,691	22,110	-	41,801
Athletic	31,538	-	721	32,259
Audit	-	29,985	-	29,985
Entertainment and hospitality	25,101	1,429	3,120	29,650
Postage	7,307	3,917	4,257	15,481
Permits and licenses	1,533	2,967	-	4,500
Total expenses before depreciation and amortization	11,391,522	1,150,375	812,684	13,354,581
Depreciation and amortization	1,476,319	-	-	1,476,319
	<u>\$12,867,841</u>	<u>\$ 1,150,375</u>	<u>\$ 812,684</u>	<u>\$ 14,830,900</u>

See accompanying notes.

CURREY INGRAM ACADEMY
STATEMENTS OF CASH FLOWS
For the Year Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in net assets:	\$ 1,301,865	\$ 7,741,250
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,052,149	1,466,900
Amortization	9,419	9,419
Unrealized gain on investments	(583,086)	(381,256)
(Gain) loss on sale of assets	(62,133)	13,328
Contributions restricted for long-term purposes	(304,561)	(8,929,310)
Changes in operating assets and liabilities:		
Inventory	(1,153)	(11,091)
Accounts receivable	(229,446)	22,209
Pledges receivable	(59,816)	(9,793)
Prepaid expenses	(69,506)	15,323
Accounts payable and accrued expenses	(848,335)	827,418
Deferred revenues	773,870	(83,078)
Change in estimated fair value of interest rate swap agreement	(24,040)	(152,537)
Net cash provided by operating activities	<u>1,955,227</u>	<u>528,782</u>
Cash flows from investing activities:		
Purchase of investments	(1,888,419)	(4,045,262)
Proceeds from sale of investments	1,868,354	4,084,125
Proceeds from sale of property and equipment	71,114	-
Purchases of property and equipment	(1,575,426)	(8,721,661)
Net cash used in investing activities	<u>(1,524,377)</u>	<u>(8,682,798)</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term purposes	1,050,566	6,307,222
Proceeds from new bond issue	1,133,137	2,966,863
Draw on short-term line of credit	-	250,000
Payments on short-term line of credit	(250,000)	-
Payments of bonds payable	(1,237,568)	(360,000)
Payments on note payable	-	(570,000)
Payments on capital lease	(133,462)	(121,079)
Net cash provided by financing activities	<u>562,673</u>	<u>8,473,006</u>
Net increase in cash and cash equivalents	993,523	318,990
Cash and cash equivalents at beginning of year	<u>2,371,677</u>	<u>2,052,687</u>
Cash and cash equivalents at end of year	<u><u>\$ 3,365,200</u></u>	<u><u>\$ 2,371,677</u></u>

See accompanying notes.

CURREY INGRAM ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

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.

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.

CURREY INGRAM ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014 and 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2014 and 2013 an allowance for bad debts of \$588,524 and \$600,703 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, 2014 and 2013, the allowance totaled \$298,357.

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:

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

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

CURREY INGRAM ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014 and 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivative Instruments and Hedging Activities (Continued)

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. During October 2013, the Academy's interest rate swap agreement, which is considered to be a derivative, was terminated and replaced by a new swap agreement. See Note 9 for details of the new agreement.

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.

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 \$237,268 and \$183,690 for the years ended June 30, 2014 and 2013, 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.

CURREY INGRAM ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014 and 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Materials, Services and Assets (Continued)

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.

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.

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

CURREY INGRAM ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014 and 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

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, 2011 through June 30, 2014.

Reclassifications

Certain reclassifications have been made to the June 30, 2013 financial statements to conform with the June 30, 2014 presentation.

Subsequent Events

The Academy has evaluated events and transactions that occurred through December 3, 2014, the date the financial statements were available to be issued. 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 – 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.

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.

CURREY INGRAM ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014 and 2013

NOTE 2 – FAIR VALUE MEASUREMENT (Continued)

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, 2014 and 2013. 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.

CURREY INGRAM ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014 and 2013

NOTE 2 – FAIR VALUE MEASUREMENT (Continued)

The following table sets forth by level, within the fair value hierarchy, the Academy's assets at fair value as of June 30, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Commonfund – equity funds	\$ -	\$ 2,985,913	\$ -	\$ 2,985,913
Mutual funds – bond funds	<u>1,299,981</u>	<u>-</u>	<u>-</u>	<u>1,299,981</u>
Total investments at fair value	<u>\$ 1,299,981</u>	<u>\$ 2,985,913</u>	<u>\$ -</u>	<u>\$ 4,285,894</u>
Interest rate swap liability	<u>\$ -</u>	<u>\$ (300,250)</u>	<u>\$ -</u>	<u>\$ (300,250)</u>

The following table sets forth by level, within the fair value hierarchy, the Academy's assets at fair value as of June 30, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Commonfund – equity funds	\$ -	\$ 2,438,424	\$ -	\$ 2,438,424
Mutual funds – bond funds	<u>1,244,319</u>	<u>-</u>	<u>-</u>	<u>1,244,319</u>
Total investments at fair value	<u>\$ 1,244,319</u>	<u>\$ 2,438,424</u>	<u>\$ -</u>	<u>\$ 3,682,743</u>
Interest rate swap liability	<u>\$ -</u>	<u>\$ (324,290)</u>	<u>\$ -</u>	<u>\$ (324,290)</u>

The following schedule summarizes the investment return at June 30:

	<u>2014</u>	<u>2013</u>
Investment interest and dividends	\$ 63,478	\$ 75,338
Unrealized gains	<u>583,086</u>	<u>381,256</u>
Net investment gain	<u>\$ 646,564</u>	<u>\$ 456,594</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 rate used to determine the present value of pledge contributions receivable was 3.17% at June 30, 2014 and 3.63% at June 30, 2013.

CURREY INGRAM ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014 and 2013

NOTE 3 – PLEDGES RECEIVABLE (Continued)

The following are the future maturities of pledges receivable at June 30, 2014:

Year ending <u>June 30,</u>	
2015	\$ 1,419,232
2016	953,540
2017	30,890
2018	9,250
2019	<u>1,000</u>
Gross pledges receivable	2,413,912
Less: discount to net present value	<u>(71,552)</u>
Present value of pledges receivable	2,342,360
Less: allowance for uncollectible pledges	<u>(298,357)</u>
Pledges receivable, net	<u><u>\$ 2,044,003</u></u>

Pledges receivable are scheduled to be received as follows:

	<u>2014</u>	<u>2013</u>
Receivable in less than one year	\$ 1,120,875	\$ 1,008,416
Receivable in one to five years	<u>923,128</u>	<u>1,721,776</u>
	<u><u>\$ 2,044,003</u></u>	<u><u>\$ 2,730,192</u></u>

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	<u>2014</u>	<u>2013</u>
Buildings	\$ 41,889,583	\$ 32,176,205
Furniture and equipment	4,967,087	3,950,037
Land	2,986,766	2,986,766
Building improvements	505,688	427,590
Land improvements	440,193	431,269
Vehicles	146,356	173,526
Grounds equipment	72,467	72,467
Construction in progress	<u>12,024</u>	<u>9,210,049</u>
	51,020,164	49,427,909
Less accumulated depreciation	<u>(13,941,596)</u>	<u>(12,303,511)</u>
	<u><u>\$ 37,078,568</u></u>	<u><u>\$ 37,124,398</u></u>

CURREY INGRAM ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014 and 2013

NOTE 4 – PROPERTY AND EQUIPMENT (Continued)

During fiscal years 2014 and 2013, the Academy incurred costs amounting to \$12,024 and \$9,210,049, respectively, which have been capitalized as construction in progress. At June 30, 2014, these costs consist of architect and engineering fees incurred related to the construction of a sports pavilion. At June 30, 2013, these costs consist of amounts capitalized for the construction of the student center and other amounts related to smaller projects.

For the years ending June 30, 2014 and 2013, the Academy had depreciation expense of \$2,052,149 and \$1,466,900 respectively.

NOTE 5 – OTHER ASSETS

At June 30, 2014 and 2013, other assets consisted of the following:

	<u>2014</u>	<u>2013</u>
Bond issuance costs	\$ 133,695	\$ 133,695
Accumulated amortization on bond costs	(61,828)	(54,196)
Underwriters' discount	37,500	37,500
Accumulated amortization on discount	<u>(20,675)</u>	<u>(18,888)</u>
Total	<u>\$ 88,692</u>	<u>\$ 98,111</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 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 (1.78% at June 30, 2014). The maturity date of the agreement is April 1, 2023. Amounts outstanding at June 30, 2014 and 2013 are \$4,370,000 and \$4,740,000, respectively.

CURREY INGRAM ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014 and 2013

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. As of June 30, 2013, amounts drawn toward construction payments were \$2,966,863. During the year ended June 30, 2014, the remainder of the bond funds was drawn to fund construction payments. At June 30, 2014, amounts outstanding under the agreement are \$3,232,432. Interest is due monthly under the agreement at a variable rate based on LIBOR (1.88% at June 30, 2014). The principal is due upon maturity on April 30, 2018.

Maturities of bonds payable are as follows:

<u>Year ending June 30,</u>	<u>Annual Principal Amount</u>
2015	\$ 385,000
2016	395,000
2017	400,000
2018	3,647,432
2019	425,000
Thereafter	<u>2,350,000</u>
	<u>\$ 7,602,432</u>

The Academy is required to meet certain financial and nonfinancial covenants as specified in the bond documents. For the years ended June 30, 2014 and 2013, the Academy met all financial covenants.

NOTE 7 – NOTE PAYABLE

Effective September 24, 2008, the IDB issued \$7 million of revenue bonds to a financial institution to fund the Academy's Upper School construction project and the future expansion of gym facilities. Effective November 20, 2008, the financial institution entered into a loan agreement with the Academy, allowing borrowings up to \$7 million to fund construction projects. In September 2009, the loan agreement was amended to provide for a principal amount up to \$5.5 million and a change in the interest rate. Interest accrues at 1.78% and 1.80% on the outstanding principal balance and is calculated at a variable rate based on LIBOR at June 30, 2014 and 2013, respectively. All principal amounts outstanding under the agreement are due November 1, 2016. At June 30, 2014 and 2013, amounts outstanding under this agreement totaled \$1,085,876.

CURREY INGRAM ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014 and 2013

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, 2014 and 2013, the Academy was in compliance with all financial covenants. The agreement also provides the financial institution the option to call the funds on November 1st of each year, beginning in 2011. As of the date of this report, the financial institution has chosen not to enact the November 1, 2014 call option of the note. Consequently, the debt is disclosed as noncurrent. The next optional call date is November 1, 2015.

NOTE 8 – LINE OF CREDIT

The Academy maintained an unsecured \$250,000 line of credit with a financial institution. The line of credit had a variable interest rate determined by the institution's prime rate. At June 30, 2013, amounts outstanding on the agreement totaled \$250,000. During fiscal 2014, the line of credit was paid in full and the Academy decided not to pursue a renewal.

In June 2014, the Academy entered into a \$500,000 line of credit agreement with a financial institution. The line of credit has a variable interest rate based upon LIBOR (2.15% at June 30, 2014), requires the Academy to maintain a zero balance outstanding on the line for at least one thirty consecutive day period, and matures April 30, 2015. There were no amounts outstanding on the line of credit at June 30, 2014.

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. The estimated fair value at June 30, 2014 was \$(300,250).

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

CURREY INGRAM ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014 and 2013

NOTE 9 – INTEREST RATE SWAP AGREEMENT (Continued)

the years ended June 30, 2014 and 2013 include \$24,040 and \$152,537, respectively, of unrealized appreciation to reflect the change in the valuation of the interest rate swap agreements.

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, 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
Board designated:		
Deferred maintenance	\$ 519,618	\$ 519,618
Undesignated	<u>29,078,582</u>	<u>27,331,413</u>
	<u>\$ 29,598,200</u>	<u>\$ 27,851,031</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>2014</u>	<u>2013</u>
Pledges receivable – time restricted	\$ 2,044,003	\$ 2,730,192
Marketing initiative	<u>82,161</u>	<u>-</u>
	<u>\$ 2,126,164</u>	<u>\$ 2,730,192</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>2014</u>		<u>2013</u>	
	<u>Contributions</u>	<u>Expenses/ Releases</u>	<u>Contributions</u>	<u>Expenses/ Releases</u>
Marketing initiative	\$ 100,000	\$ 17,839	\$ -	\$ -
Pledges receivable – time restricted	-	686,189	-	(2,698,032)
Capital purchases	-	-	9,149,297	9,249,297
Scholarship	-	-	393,690	393,690
Total	<u>\$ 100,000</u>	<u>\$ 704,028</u>	<u>\$ 9,542,987</u>	<u>\$ 6,944,955</u>

CURREY INGRAM ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014 and 2013

NOTE 13 – PERMANENTLY RESTRICTED NET ASSETS

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

	<u>2014</u>	<u>2013</u>
Scholarship and other	\$ 2,968,600	\$ 2,809,876

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

Interpretation of Relevant Law

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

Endowment Net Asset Composition by Type of Fund as of June 30, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$ -	\$ 2,968,600	\$ 2,968,600

Changes in Endowment Net Assets for the fiscal year ended June 30, 2014:

Endowment net assets, beginning of year	\$ -	\$ -	\$ 2,809,876	\$ 2,809,876
Contributions	-	-	158,724	158,724
Endowment net assets, end of year	\$ -	\$ -	\$ 2,968,600	\$ 2,968,600

CURREY INGRAM ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014 and 2013

NOTE 13 – PERMANENTLY RESTRICTED NET ASSETS (Continued)

Endowment Net Asset Composition by Type of Fund as of June 30, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$ -	\$ 2,809,876	\$ 2,809,876

Changes in Endowment Net Assets for the fiscal year ended June 30, 2013:

Endowment net assets, beginning of year	\$ -	\$ -	\$ 2,800,626	\$ 2,800,626
Contributions, net	-	-	9,250	9,250
Endowment net assets, end of year	\$ -	\$ -	\$ 2,809,876	\$ 2,809,876

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, 2014 and 2013

NOTE 13 – PERMANENTLY RESTRICTED NET ASSETS (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Academy has a policy of appropriating dividend and interest income from the endowment fund for operational use.

NOTE 14 – LETTERS OF CREDIT

At June 30, 2014 and 2013, the Academy maintained two letters of credit issued by a local financial institution totaling \$165,000. These letters of credit will be available in the event of noncompliance with certain performance bonds as required by Williamson County, Tennessee and the State of Tennessee.

NOTE 15 – DEFERRED COMPENSATION PLANS

The Academy has a 403(b) tax deferred annuity plan covering substantially all employees. The Academy contributed 1.5% of the gross salary for all eligible employees that had 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. Effective April 30, 2013, the plan was revised for the Academy to match 100% of a total of 3.5% of each eligible employee's voluntary contributions that exceed 1.5% of the gross salary, for all eligible employees that have completed 12 months of service. During the years ended June 30, 2014 and 2013, total employer contributions to the plan were \$226,587 and \$204,181, respectively.

Effective July 1, 2014, the employer contribution and match portion of the plan agreement was amended to remove the automatic employer contribution of 1.5%. However, effective July 1, 2014, the employer will match eligible employee's voluntary contributions up to 5% of the employee's gross salary.

NOTE 16 – LEASE COMMITMENTS

The Academy has leased copiers, computers and other equipment under lease arrangements classified as operating leases. Total rent expense for the years ended June 30, 2014 and 2013 was \$122,540 and \$131,668, respectively. The leases are payable in monthly payments and expire at various times through fiscal year 2017. Future minimum lease payments are as follows:

Year ending <u>June 30,</u>	
2015	\$ 61,357
2016	61,357
2017	<u>61,357</u>
Total	<u>\$ 184,071</u>

CURREY INGRAM ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014 and 2013

NOTE 16 – LEASE COMMITMENTS (Continued)

The Academy also leased computers under a noncancelable lease that was classified as a capital lease. 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. The lease agreement period approximates the remaining economic life of the assets, and expired in 2013.

During June 2014, the Academy entered into a noncancelable computer lease classified as a capital lease. The computers under this capital lease are 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, 2014 are:

Year ending <u>June 30,</u>	
2015	\$ 149,219
2016	149,219
2017	<u>149,219</u>
	447,657
Less interest imputed at a rate of 1.78%	<u>(7,783)</u>
Present value of future minimum lease payments	<u>\$ 439,874</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. Qualified recipients of this scholarship are children of full-time employees of Vanderbilt University. Contributions from Vanderbilt to the Academy in the years ended June 30, 2014 and 2013 totaled \$141,000 and \$274,160 respectively.

NOTE 18 – CONCENTRATIONS

The Academy's cash account balances at June 30, 2014 and 2013 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.

CURREY INGRAM ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014 and 2013

NOTE 18 – CONCENTRATIONS (Continued)

At June 30, 2014, 93% of the pledges receivable were due to the Academy by three donors. At June 30, 2013, 80% of the pledges receivable were due to the Academy by one donor. For the year ended June 30, 2014, contributions from two donors represented approximately 80% of total contributions received by the Academy. For the year ended June 30, 2013, contributions from two donors represented approximately 68% 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.

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, 2014 and 2013, the Academy incurred legal expenses from two law firms affiliated with members of the Board of Trustees totaling \$44,601 and \$209,561, 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>2014</u>	<u>2013</u>
Cash paid during the year for interest	\$ <u>341,990</u>	\$ <u>289,559</u>

Supplemental Schedule of Non-Cash Investing and Financing Activities

	<u>2014</u>	<u>2013</u>
Fixed assets acquired by capital lease	\$ <u>439,874</u>	\$ <u>-</u>