

CURREY INGRAM ACADEMY

FINANCIAL STATEMENTS

JUNE 30, 2006 AND 2005

(With Independent Auditors' Report Thereon)

CURREY INGRAM ACADEMY  
FINANCIAL STATEMENTS  
JUNE 30, 2006 AND 2005

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Charles Akerslout, III

Lisa L. Patterson

## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Currey Ingram Academy

We have audited the accompanying statements of financial position of Currey Ingram Academy (a nonprofit organization) as of June 30, 2006 and 2005, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the management of Currey Ingram Academy. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Currey Ingram Academy as of June 30, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information on pages 20 through 21 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as whole.

Also as stated in Note 15, certain reclassifications have been made to the permanently, temporarily and unrestricted net assets to include only donor-restricted contributions and expenses in the permanently and temporarily restricted net assets.

*Akerslout, Patterson & Associates, P.L.L.C.*

October 12, 2006

CURREY INGRAM ACADEMY  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 1,367,281	\$ 1,074,932
Investments	1,377,598	1,799,871
Accounts receivable, net of allowance of \$181,651 and \$163,606, respectively	43,845	24,596
Current installments of pledges receivable, net	987,917	672,984
Prepaid expenses	<u>104,615</u>	<u>39,945</u>
Total current assets	<u>3,881,256</u>	<u>3,612,328</u>
Assets Whose Use is Limited:		
Cash	773,923	778,475
Investments	1,499,791	587,148
Pledges receivable	<u>1,102,680</u>	<u>1,782,177</u>
Total assets whose use is limited	<u>3,376,394</u>	<u>3,147,800</u>
Property and equipment, net	<u>19,555,216</u>	<u>20,285,905</u>
Other Assets	<u>111,626</u>	<u>103,973</u>
	<u>\$ 26,924,492</u>	<u>\$ 27,150,006</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Current installments of bonds payable	\$ 290,000	\$ 280,000
Line of credit	240,201	500,000
Accounts payable	80,170	53,093
Deferred revenues	1,402,439	1,144,500
Accrued expenses	<u>571,478</u>	<u>488,520</u>
Total current liabilities	2,584,288	2,466,113
Bonds payable, net of current installments	<u>6,660,000</u>	<u>6,950,000</u>
Total liabilities	<u>9,244,288</u>	<u>9,416,113</u>
Net Assets:		
Unrestricted	14,303,810	14,586,093
Temporarily restricted	939,921	824,424
Permanently restricted	<u>2,436,473</u>	<u>2,323,376</u>
Total net assets	<u>17,680,204</u>	<u>17,733,893</u>
	<u>\$ 26,924,492</u>	<u>\$ 27,150,006</u>

See accompanying notes to financial statements.

CURREY INGRAM ACADEMY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2006

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and revenue:				
Public support:				
Contributions:	\$ 1,647,322	\$ 961,410	\$ 170,296	\$ 2,779,028
Revenue:				
Tuition	5,918,952	-	-	5,918,952
Student fees	53,190	-	-	53,190
Student activities income	125,740	-	-	125,740
Application and enrollment fees	111,750	-	-	111,750
Dewar's tuition refund	86,529	-	-	86,529
Aftercare income	92,858	-	-	92,858
Child development center	81,482	-	-	81,482
Diagnostic center	97,286	-	-	97,286
Investment and interest income	24,149	46,997	-	71,146
In-kind income	35,375	-	-	35,375
Finance charge income	18,756	-	-	18,756
Other	21,038	-	-	21,038
Net assets released from restrictions	950,109	(892,910)	(57,199)	-
Total revenue	7,617,214	(845,913)	(57,199)	6,714,102
Total public support and revenue	9,264,536	115,497	113,097	9,493,130
Unrealized gain on investments, net of fees	139,065	-	-	139,065
Total public support, revenue and gains	9,403,601	115,497	113,097	9,632,195
Expenses:				
Program services	6,729,822	-	-	6,729,822
Supporting services:				
General and administrative	2,504,122	-	-	2,504,122
Fundraising	451,940	-	-	451,940
Total supporting services	2,956,062	-	-	2,956,062
Total program and supporting expenses	9,685,884	-	-	9,685,884
Increase (decrease) in net assets	(282,283)	115,497	113,097	(53,689)

See accompanying notes to financial statements.

CURREY INGRAM ACADEMY  
STATEMENT OF ACTIVITIES (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2006

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets - beginning of the year	<u>\$ 14,536,093</u>	<u>\$ 824,424</u>	<u>\$ 2,323,376</u>	<u>\$ 17,733,893</u>
Net assets - end of year	<u><u>\$ 14,303,810</u></u>	<u><u>\$ 939,921</u></u>	<u><u>\$ 2,436,473</u></u>	<u><u>\$ 17,680,204</u></u>

See accompanying notes to financial statements.

CURREY INGRAM ACADEMY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support and revenue:				
Public support:				
Contributions:	\$ 665,527	\$ 1,324,300	\$ 46,670	\$ 2,036,497
Revenue:				
Tuition	4,965,269	-	-	4,965,269
Student fees	49,084	-	-	49,084
Student activities income	131,967	-	-	131,967
Application and enrollment fees	111,645	-	-	111,645
Dewar's tuition refund	60,967	-	-	60,967
Aftercare income	58,567	-	-	58,567
Child development center	57,793	-	-	57,793
Diagnostic center	70,255	-	-	70,255
Investment and interest income	14,185	55,487	-	69,672
In-kind income	7,181	-	-	7,181
Finance charge income	12,756	-	-	12,756
Other	35,249	-	-	35,249
Net assets released from restrictions	648,361	(648,361)	-	-
Total revenue	6,223,279	(592,874)	-	5,630,405
Total public support and revenue	6,888,806	731,426	46,670	7,666,902
Unrealized gain on investments, net of fees	140,711	-	-	140,711
Total public support, revenue and gains	7,029,517	731,426	46,670	7,807,613
Expenses:				
Program services	6,487,486	-	-	6,487,486
Supporting services:				
General and administrative	2,436,525	-	-	2,436,525
Fundraising	490,591	-	-	490,591
Total supporting services	2,927,116	-	-	2,927,116
Total program and supporting expenses	9,414,602	-	-	9,414,602
Increase (decrease) in net assets	(2,385,085)	731,426	46,670	(1,606,989)

See accompanying notes to financial statements.

CURREY INGRAM ACADEMY  
STATEMENT OF ACTIVITIES (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Net assets - beginning of the year	\$ <u>16,971,178</u>	\$ <u>92,998</u>	\$ <u>2,276,706</u>	\$ <u>19,340,882</u>
Net assets - end of year	\$ <u>14,586,093</u>	\$ <u>824,424</u>	\$ <u>2,323,376</u>	\$ <u>17,733,893</u>

See accompanying notes to financial statements.



**CURREY INGRAM ACADEMY**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Accounting and auditing	\$ -	\$ 13,040	\$ -	\$ 13,040
Advertising	2,358	-	33,427	35,785
Aftercare	54,253	-	-	54,253
Athletics	47,634	-	-	47,634
Bad debts	32,705	-	-	32,705
Bank charges	-	17,071	-	17,071
Bookstore	498	-	-	498
Collection fees	-	26,226	-	26,226
Computer	283,838	28,537	8,285	320,660
Contract services	-	166,066	-	166,066
Consulting	6,136	20,754	307	27,197
Copier and printing	29,861	5,001	20,909	55,771
Designated gift expense - other	9,503	-	-	9,503
Dewars tuition and other insurance	86,529	-	-	86,529
Diagnostic center	20,025	-	-	20,025
Discretionary fund	-	10,053	-	10,053
Dues and subscriptions	14,440	10,046	2,214	26,700
Equine care	-	2,415	-	2,415
Equipment rental	-	2,389	-	2,389
Faculty childcare	-	3,112	-	3,112
Fundraising	-	1,795	40,297	42,092
In-kind expense	-	35,375	-	35,375
Insurance	-	141,248	-	141,248
Interest	-	239,553	-	239,553
Kitchen supplies and food	135,279	-	-	135,279
Legal	-	343,500	-	343,500
Letters of credit fees	-	50,879	-	50,879
Library expense	34,564	8,799	-	43,363
Materials and supplies	60,546	85,112	4,700	150,358
Miscellaneous	368	630	4	1,002
Payroll taxes and other related expenses	250,591	62,098	13,364	326,053
Postage	4,092	7,749	5,629	17,470
Professional development	26,575	20,631	6,427	53,633
Property tax	-	40,622	-	40,622
Repairs and maintenance	895	3,705	-	4,600
Rent	-	74,292	-	74,292
Salaries	3,799,507	916,531	279,673	4,995,711
Scholarship	565,667	-	-	565,667
School hospitality	1,290	-	26,579	27,869
Search expense	6,395	60,727	-	67,122
Small equipment	4,324	7,995	-	12,319
Stipends	1,500	-	-	1,500
Student activities	202,076	-	-	202,076
Substitution teaching	30,205	-	-	30,205
Subtotal	5,711,654	2,405,951	441,815	8,559,420

See accompanying notes to financial statements.

**CURREY INGRAM ACADEMY**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2006**

		Supporting Services		
	Program Services	General and Administrative	Fundraising	Total
Subtotal	\$ 5,711,654	\$ 2,405,951	\$ 441,815	\$ 8,559,420
Technology	-	19,689	-	19,689
Telephone	-	37,583	-	37,583
Testing	10,346	-	-	10,346
Textbooks	11,968	-	-	11,968
Trash removal	-	10,642	-	10,642
Travel	-	4,740	16	4,756
Utilities	130,540	1,332	1,332	133,204
Vehicle	-	15,408	-	15,408
Total expenses before depreciation and amortization	5,864,508	2,495,345	443,163	8,803,016
Depreciation and amortization	865,314	8,777	8,777	882,868
	<u>\$ 6,729,822</u>	<u>\$ 2,504,122</u>	<u>\$ 451,940</u>	<u>\$ 9,685,884</u>

See accompanying notes to financial statements.

**CURREY INGRAM ACADEMY**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Accounting and auditing	\$ -	\$ 21,236	\$ -	\$ 21,236
Advertising	-	-	65,407	65,407
Aftercare	51,589	-	-	51,589
Athletics	8,153	-	-	8,153
Bad debts	46,886	-	-	46,886
Bank charges	-	13,935	-	13,935
Bookstore	8,948	-	-	8,948
Collection fees	-	13,500	-	13,500
Computer	188,318	7,202	3,760	199,280
Contract services	-	221,803	-	221,803
Consulting	-	45,749	-	45,749
Copier and printing	39,718	15,026	20,235	74,979
Designated gift expense - other	-	7,197	-	7,197
Dewars tuition and other insurance	60,967	-	-	60,967
Diagnostic center	169,036	-	-	169,036
Discretionary fund	-	10,830	-	10,830
Dues and subscriptions	12,818	3,584	2,895	19,297
Equine care	2,445	-	-	2,445
Equipment rental	-	4,974	-	4,974
Faculty childcare	48,569	-	-	48,569
Fundraising	-	10,727	305	11,032
In-kind expense	7,181	-	-	7,181
Insurance	-	337,328	-	337,328
Interest	-	158,254	-	158,254
Kitchen supplies and food	150,803	-	-	150,803
Legal	-	6,248	-	6,248
Letters of credit fees	-	58,852	-	58,852
Library expense	20,096	-	-	20,096
Materials and supplies	105,144	77,727	737	183,608
Miscellaneous	35	2,881	397	3,313
Other bond fees	-	13,308	-	13,308
Payroll taxes and other related expenses	334,827	103,749	33,011	471,587
Postage	6,019	10,297	2,945	19,261
Professional development	20,136	6,286	50	26,472
Repairs and maintenance	8,240	16,458	-	24,698
Rent	-	135,429	-	135,429
Salaries	3,257,042	1,009,224	321,117	4,587,383
Scholarship	438,322	450	-	438,772
School hospitality	-	-	19,928	19,928
Search expense	12,595	1,343	-	13,938
Small equipment	74,040	37,439	-	111,479
Stipends	11,400	-	-	11,400
Student activities	148,848	19,304	4,166	172,318
Substitution teaching	22,803	-	-	22,803
Subtotal	5,254,978	2,370,340	474,953	8,100,271

See accompanying notes to financial statements.

CURREY INGRAM ACADEMY  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2005

		<u>Supporting Services</u>		
	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Subtotal	\$ 5,254,978	\$ 2,370,340	\$ 474,953	\$ 8,100,271
Technology	7,810	-	-	7,810
Telephone	-	28,897	-	28,897
Testing	7,793	-	-	7,793
Textbooks	21,300	-	-	21,300
Trash removal	-	10,553	-	10,553
Travel	-	1,380	-	1,380
Utilities	119,623	1,471	1,471	122,565
Vehicle	-	9,717	-	9,717
Total expenses before depreciation and amortization	5,411,504	2,422,358	476,424	8,310,286
Depreciation and amortization	1,075,982	14,167	14,167	1,104,316
	<u>\$ 6,487,486</u>	<u>\$ 2,436,525</u>	<u>\$ 490,591</u>	<u>\$ 9,414,602</u>

See accompanying notes to financial statements.

CURREY INGRAM ACADEMY  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
Cash Flows From Operating Activities:		
Increase (decrease) in net assets	\$ (53,689)	\$ (1,606,989)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Depreciation	877,683	1,098,506
Amortization	5,185	5,810
Unrealized gain on investments	(139,065)	(140,711)
Investment fees deducted from investments	10,202	7,821
Allowance for bad debts	18,045	33,864
Loss on sale of property and equipment	1,225	-
Changes in:		
Other assets	(12,838)	-
Accounts receivable	(37,294)	24,878
Pledges receivable	364,564	746,430
Prepaid expenses	(64,670)	(9,582)
Accounts payable	27,077	1,592
Deferred revenues	257,939	74,795
Accrued expenses	82,958	101,530
Total adjustments	<u>1,391,011</u>	<u>1,944,933</u>
Net cash provided by operating activities	<u>1,337,322</u>	<u>337,944</u>
Cash Flows From Investing Activities:		
Purchase of investments	(361,507)	(242,156)
Purchase of property and equipment	<u>(148,219)</u>	<u>(210,318)</u>
Net cash used in investing activities	<u>(509,726)</u>	<u>(452,474)</u>
Cash Flows From Financing Activities:		
Net change in cash whose use is limited	4,552	(778,475)
Payments of bond payable obligations	(280,000)	(270,000)
Net change in lines of credit payable	(259,799)	-
Payments of capitalized lease obligations	<u>-</u>	<u>(93,741)</u>
Net cash used in financing activities	<u>(535,247)</u>	<u>(1,142,216)</u>
Net increase (decrease) in cash	292,349	(1,256,746)
Cash - beginning of year	<u>1,074,932</u>	<u>2,331,678</u>
Cash - end of year	<u>\$ 1,367,281</u>	<u>\$ 1,074,932</u>

Supplemental Cash Flow Information

Interest paid during the years ended June 30, 2006 and 2005 was \$239,553 and \$158,254 respectively.

See accompanying notes to financial statements.

CURREY INGRAM ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006 AND 2005

NOTE 1 - Summary of Significant Accounting Policies

a. Nature of Activities

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

b. Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization 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 Organization and/or the passage of time. Restrictions that are fulfilled in the same accounting period in which the contributions are received are reported in the Statements of Activities as unrestricted.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned and any related investments for general or specific purposes.

c. Concentration of Credit Risk

At June 30, 2006 and 2005, and at various times through the years, the Organization had cash balances exceeding \$100,000, which is the maximum insured by the Federal Deposit Insurance Corporation.

At June 30, 2006, 60% of pledges receivables were owed to the Organization by two donors. At June 30, 2005, 53% of pledges receivables were owed to the Organization by three donors.

d. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, Currey Ingram Academy considers all unrestricted cash and investment instruments purchased with original maturities of three months or less to be cash equivalents. At June 30, 2006 and 2005, the Organization had no cash equivalents.

e. Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statements of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statements of Activities as unrestricted revenues or expenses, unless specified by the donor.

CURREY INGRAM ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006 AND 2005

NOTE 1 - Summary of Significant Accounting Policies (continued)

f. Accounts Receivable

Receivables for tuition and other student fees are recognized when the services are provided. Uncollectible accounts are written off in the period in which they are determined to be uncollectible and are charged to bad debts. At June 30, 2006 and 2005 an allowance for bad debts has been estimated and recorded for \$181,651 and \$163,606 respectively.

g. Income Tax Status

The Organization is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and the Organization is classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is reflected in the accompanying financial statements.

h. Functional Allocation of Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

i. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

j. Fair Values of Financial Instruments

The carrying values of current assets and current liabilities, except for pledges receivable, approximate fair values due to the short maturities of these instruments.

The fair values of the line of credit payable and the bonds payable approximate the carrying amounts and are estimated based on current rates offered to the Organization.

k. Pledges Receivable

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Unconditional promises to give are recorded when the promises are made. Unconditional promises to give due in the next year are reflected as current pledges receivable and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term pledges receivable and are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the pledges are received to discount the amounts. The Organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. At June 30, 2006 and 2005, no allowance was considered necessary.

l. Advertising Costs

Advertising costs are expensed as incurred.

CURREY INGRAM ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006 AND 2005

NOTE 1 - Summary of Significant Accounting Policies (continued)

m. Donated Services

The Organization receives a significant amount of donated services from unpaid volunteers who assist in fundraising and special projects. No amounts have been recognized in the Statements of Activities because the criteria for recognition under SFAS No. 116 have not been satisfied.

n. Reclassifications

Certain accounts relating to the presentation of revenues and expenses between unrestricted, temporarily restricted and permanently restricted funds in the 2005 financial statements have been reclassified for comparative purposes to conform with the presentation of the 2006 financial statements.

o. Insurance

The Organization offers tuition insurance to parents in case of unforeseen circumstances that cause their children to have to leave the Currey Ingram Academy program before the end of the school year. The insurance is paid to a third party who will reimburse parents for their tuition costs if their child is unable to complete the school year.

p. Inventory

Inventory is stated at the lower of cost or market. Cost is determined by the specific identification method.

NOTE 2 - Investments

Investments at June 30, 2006 and 2005, consist of the following:

	<u>2006</u>	<u>2005</u>
Mutual funds - equity funds	\$ 1,814,767	\$ 1,463,271
Mutual funds - bond funds	<u>1,062,622</u>	<u>923,748</u>
	<u>\$ 2,877,389</u>	<u>\$ 2,387,019</u>

See Note 4.

The following schedule summarizes the investment return for the years ended June 30, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Investment income distributed	\$ 71,146	\$ 69,672
Unrealized gains	<u>139,065</u>	<u>140,711</u>
	<u>\$ 210,211</u>	<u>\$ 210,383</u>



CURREY INGRAM ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006 AND 2005

NOTE 3 - Pledges Receivable

The Organization has received pledges for contributions for the construction of new buildings on campus and for the scholarship endowment as well as for the unrestricted annual fund. The pledges receivable are recorded at present value with a discount rate of 5.04% and 4% for the years ended June 30, 2006 and 2005, respectively.

The following are the future maturities of pledges receivable at June 30, 2006:

Year ending June 30,	Amount
2007	\$ 1,458,452
2008	406,920
2009	352,300
2010	25,100
2011	<u>15,000</u>
	2,257,772
Less: discounts to net present value	( 167,175)
	<u>\$ 2,090,597</u>

See Note 4.

NOTE 4 - Assets Whose Use is Limited

At June 30, 2006 and 2005, the Organization had \$3,376,394 and \$3,147,800, respectively held in assets whose use is restricted for future scholarships, an endowment fund, and other designated uses as follows:

	<u>2006</u>	<u>2005</u>
Permanently restricted:		
Professional development	\$ 845	\$ 835
General	3,000	3,000
Scholarship	<u>2,432,628</u>	<u>2,319,541</u>
	<u>2,436,473</u>	<u>2,323,376</u>
Temporarily restricted:		
Technology	866	866
Science	20,966	20,966
Other	10,699	9,981
Athletics	44,709	22,049
FACES	59,714	52,388
Art	50	50
Music	1,280	1,247
Drama	362	250
Legal fees	-	300,000
Library	-	-
Scholarship	203,328	-
Capital purchases	<u>597,947</u>	<u>416,627</u>
	<u>939,921</u>	<u>824,424</u>
	<u>\$ 3,376,394</u>	<u>\$ 3,147,800</u>

CURREY INGRAM ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006 AND 2005

NOTE 5 - Property and Equipment

Property and equipment are recorded at cost or, if donated, at the estimated fair market value as of the date of donation. It is the Organization's policy to capitalize purchases of equipment over \$500. Depreciation is provided using the straight-line basis over the estimated useful lives of the respective assets. Expenditures for repairs and maintenance are charged to expense as incurred.

A summary of property and equipment at June 30, 2006 and 2005, is as follows:

	<u>2006</u>	<u>2005</u>
Furniture and equipment	\$ 2,173,255	\$ 2,125,091
Buildings	17,805,521	17,734,660
Building improvements	80,231	78,631
Land improvements	4,368	2,218
Vehicles	120,466	120,466
Grounds equipment	25,919	25,919
Athletic equipment	22,143	-
Land	2,986,766	2,986,766
Construction in progress	<u>275,849</u>	<u>275,849</u>
	23,494,518	23,349,600
Less: accumulated depreciation	<u>( 3,939,302)</u>	<u>( 3,063,695)</u>
	<u>\$19,555,216</u>	<u>\$20,285,905</u>

At June 30, 2006 and 2005, the Organization has \$275,849 in construction in progress related to the construction of a new high school building.

NOTE 6 - Other Assets

At June 30, 2006 and 2005, other assets consisted of the following:

	<u>2006</u>	<u>2005</u>
Utility deposit	\$ 6,000	\$ 850
Bond issuance costs	78,695	78,695
Accumulated amortization on bond costs	(12,163)	(8,853)
Underwriters' discount	37,500	37,500
Accumulated amortization on discount	(6,094)	(4,219)
Inventory	<u>7,688</u>	<u>-</u>
Total	<u>\$ 111,626</u>	<u>\$ 103,973</u>

NOTE 7 - Line of Credit

The Organization has a line of credit payable to Pinnacle National Bank that matures in April 2007. At June 30, 2006 and 2005, the Organization had drawn \$240,201 and \$500,000, respectively from the total amount available. The amounts available were \$240,201 and \$500,000 at June 30, 2006 and 2005. Interest is payable monthly at 6.75% and 5.5% at June 30, 2006 and 2005, respectively. The line of credit is unsecured.

CURREY INGRAM ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006 AND 2005

NOTE 8 - Bonds Payable

On March 15, 2003, Currey Ingram Academy issued \$7,500,000 of Debenture Adjustable Rate Demand Development Revenue Bonds through SunTrust Bank. Interest is due monthly on the last business day of each month. The interest rate is adjusted weekly and at June 30, 2006 and 2005, the rate was 4.04% and 2.4%, respectively.

A summary of future minimum principal payments is as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Annual</u> <u>Principal</u> <u>Amount</u>
2007	\$ 290,000
2008	300,000
2009	310,000
2010	320,000
2011	330,000
Thereafter	<u>5,400,000</u>
	6,950,000
Less: current installments	<u>( 290,000)</u>
	<u>\$ 6,660,000</u>

The Organization is required to meet certain financial and nonfinancial covenants as specified in the bond documents. For the year ended June 30, 2006, the Organization met all financial covenants.

NOTE 9 - Pension Plan

The Organization has a 403(b) tax sheltered annuity plan covering substantially all employees. The Organization contributes 1.5% of the gross salary of each full-time employee and matches an additional 3.5% of any voluntary contribution from the employee. During the year ended June 30, 2005, the Organization amended its plan to contribute these amounts only for employees of five years or more. Benefits for existing employees were not changed. During the years ended June 30, 2006 and 2005, total employer contributions to the plan were \$153,117 and \$136,169, respectively.

The Organization also accrues retirement funds for the Head of School based on certain factors related to contributions and the appreciation (or depreciation) of certain endowment funds.

NOTE 10 - Letters of Credit

The Organization has two letters of credit issued by Pinnacle National Bank totaling \$600,000. These letters of credit would be available in the event of noncompliance with certain performance bonds required by Williamson County, Tennessee. Both of the letters of credit expire in June 2007.

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

CURREY INGRAM ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006 AND 2005

NOTE 11 - Lease Agreement

The Organization leases several copiers, computers, portable classrooms and other equipment under lease arrangements classified as operating leases. Total rent expense for the year ended June 30, 2006 and 2005, was \$354,477 and \$247,149, respectively. The leases are payable in monthly payments and expire at various times through September 2010.

Future minimum lease payments are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2007	\$ 235,891
2008	124,669
2009	10,049
2010	<u>1,380</u>
Total	<u>\$ 371,989</u>

NOTE 12 - Vanderbilt Scholarship Gift Agreement

In 2004, one benefactor donated funds to the Vanderbilt University Endowment Fund under an agreement which states that any income, up to 4.5%, generated from this gift is to be given to the Currey Ingram Academy Scholarship Fund. Qualified recipients of this scholarship are children of full-time employees of Vanderbilt University. Contributions from Vanderbilt in the year ended June 30, 2006 and 2005 totaled \$180,000 and \$175,005, respectively.

NOTE 13 - Conditional Contributions

In 2005, a benefactor agreed to give significant contributions for operating expenses and to at least cover the bond payment requirements, provided that certain conditions are met. The conditions are that Currey Ingram Academy maintains a balanced operating budget, that the quality of education does not diminish despite any reductions in the budget, that the School raises an additional \$380,000 in annual unrestricted contributions, and that the School initiates a Scholarship Endowment Fund. All of the conditions were met for the year ended June 30, 2006 and 2005. Such conditional contribution for future years has not been recorded in the accompanying financial statements.

NOTE 14 - Contingencies

During the year ended June 30, 2005, the Organization settled an outstanding lawsuit for an undisclosed amount. The settlement and related legal fees were paid by a donor.

The Organization has been assessed local property taxes even though the Organization operates as a tax-exempt entity and as such would be exempt from property taxes. The Organization has successfully defended its exempt usage for all but 6 of 83 acres of the campus. The Organization anticipates a partial refund for property taxes paid under protest. No receivable has been recorded for this as the exact amount will be determined by the assessor.

CURREY INGRAM ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006 AND 2005

NOTE 15 - Prior Period Adjustment

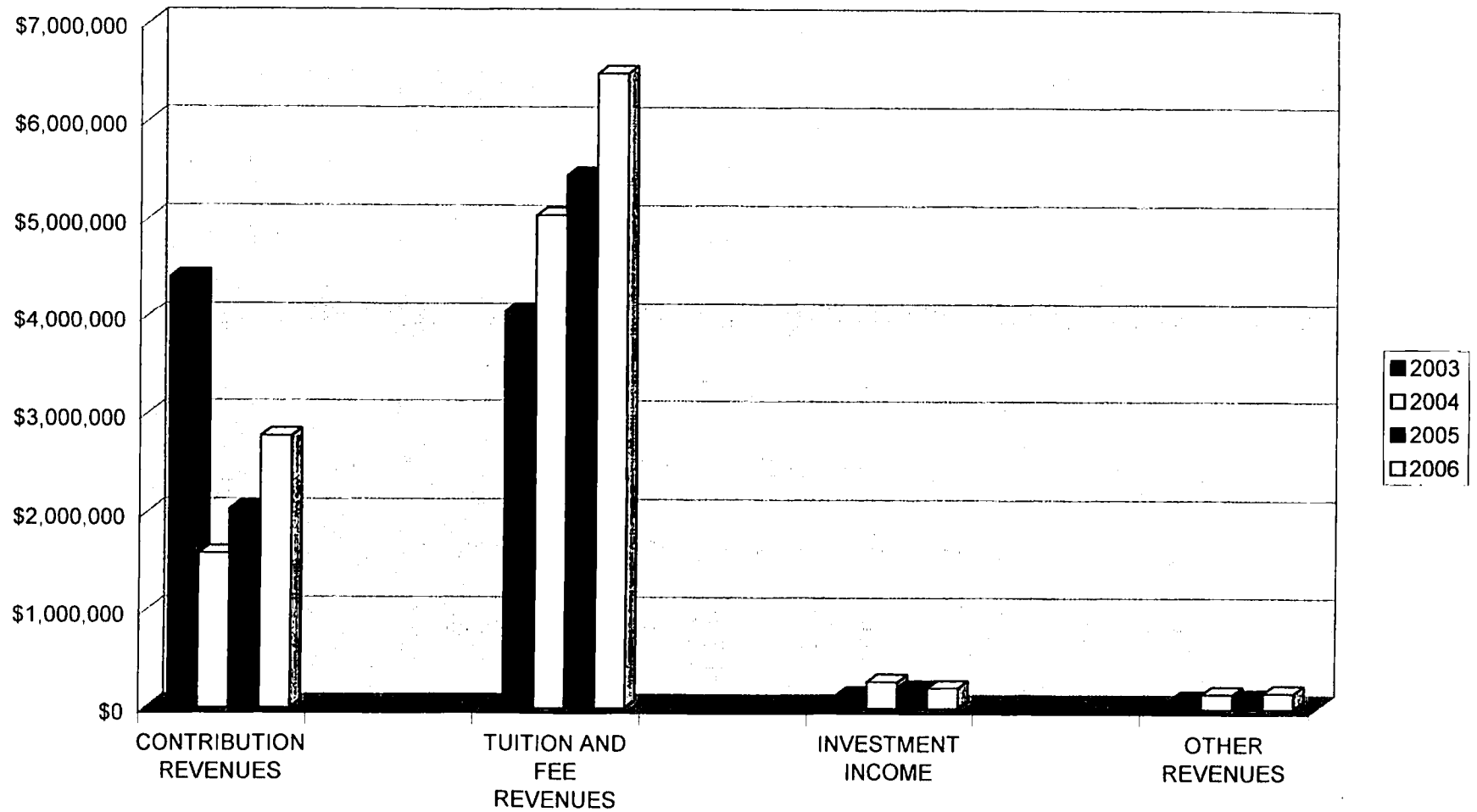
A prior period adjustment has been recorded to adjust the net assets of temporarily restricted and unrestricted net assets during the year ended June 30, 2005. The transactions during the year ended June 30, 2005, and the beginning balances for these funds at July 1, 2004, have likewise been restated to include only donor-restricted contributions and expenses. This adjustment only reclassified amounts between the net asset categories and had no effect on the total net assets.

In order to reflect only donor restricted contributions, the beginning balance of temporarily restricted net assets as of July 1, 2004 was decreased by \$1,342,476. The beginning balance of unrestricted net assets as of July 1, 2004 was increased by that same amount. Transactions during the year ended June 30, 2005 have been restated from prior amounts issued to reflect a \$568,513 decrease in temporarily restricted net assets.

Prior period adjustments have also been recorded to reclassify cash, investments, and pledges receivable at June 30, 2005, between current assets and assets whose use is limited to agree with the appropriate net asset balances.

The Organization has filed lawsuits to recover unpaid tuition amounts. No amount has been accrued for amounts expected to be recovered as a result of these lawsuits. These tuition amounts have been included in the allowance for bad debts.

**CURREY INGRAM ACADEMY**  
**SUMMARY OF PUBLIC SUPPORT AND REVENUES**  
**FOR THE YEARS ENDED JUNE 30, 2006, 2005, 2004 AND 2003**



**CURREY INGRAM ACADEMY**  
**SUMMARY OF EXPENSES AND LOSSES**  
**FOR THE YEARS ENDED JUNE 30, 2006, 2005, 2004 AND 2003**

