

CALDWELL ACADEMY

FINANCIAL STATEMENTS

Year Ended June 30, 2011

(With Comparative Totals for June 30, 2010)

CALDWELL ACADEMY

June 30, 2011

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Personal attention. Verifiable results.

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Caldwell Academy
Greensboro, North Carolina

We have audited the accompanying statement of financial position of Caldwell Academy (the Academy), a nonprofit organization, as of June 30, 2011, and the related statements of activities, cash flows, and statement of functional expenses for the year then ended. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior-year summarized comparative information has been derived from the Academy's financial statements and in our report dated September 6, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit 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 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 audit provides 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 the Academy as of June 30, 2011, and the results of its activities and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Davenport, Marvin, Joyce & Co., LLP

Certified Public Accountants
Greensboro, North Carolina

August 24, 2011

CALDWELL ACADEMY

FINANCIAL STATEMENTS

Year Ended June 30, 2011

(With Comparative Totals Only for June 30, 2010)

CALDWELL ACADEMY

STATEMENT OF FINANCIAL POSITION

June 30, 2011

(With Comparative Totals Only for June 30, 2010)

ASSETS

	2011	2010
Current Assets		
Cash:		
Unrestricted	\$ 4,480,495	\$ 4,290,177
Promises to give (net of allowance for doubtful accounts of \$36,161 and \$0 for 2011 and 2010, respectively)	798,960	980,403
Tuition receivable (net of allowance for doubtful accounts of \$14,400 and \$0 for 2011 and 2010, respectively)	129,611	165,171
Other receivables	131,584	76,621
Prepaid expenses	-	7,677
	5,540,650	5,520,049
Property, Plant and Equipment		
Land	1,651,037	1,631,755
Land improvements	1,745,896	1,541,896
Construction in progress	17,899	328,183
Buildings and improvements	11,488,175	11,102,978
Equipment	681,618	664,669
Furniture and fixtures	367,465	361,930
Vehicles	44,446	44,446
	15,996,536	15,675,857
Less - accumulated depreciation	(3,247,902)	(2,759,658)
	12,748,634	12,916,199
NonCurrent Assets		
Intangible assets - net of accumulated amortization of \$49,306 and \$36,725 for 2011 and 2010, respectively	265,219	277,800
Investments at fair market value	154,143	130,038
	419,362	407,838
	Total NonCurrent Assets	407,838
	\$ 18,708,646	\$ 18,844,086

See accompanying notes to financial statements.

LIABILITIES AND NET ASSETS

	<u>2011</u>	<u>2010</u>
Current Liabilities		
Accounts payable	\$ 59,534	\$ 48,436
Prepaid tuition and fees	2,792,973	2,913,424
Deposits	344,948	355,868
Accrued expenses	59,211	65,284
Accrued payroll and other liabilities	303,341	254,787
Current portion of long-term debt	<u>225,000</u>	<u>-</u>
Total Current Liabilities	<u>3,785,007</u>	<u>3,637,799</u>
Long-Term Liabilities		
Liability under interest rate swap	1,044,547	1,268,284
Long-term debt	<u>8,775,000</u>	<u>9,000,000</u>
Total Long-Term Liabilities	<u>9,819,547</u>	<u>10,268,284</u>
Total Liabilities	<u>13,604,554</u>	<u>13,906,083</u>
Net Assets		
Unrestricted	4,949,949	4,807,965
Temporarily restricted	<u>154,143</u>	<u>130,038</u>
Total Net Assets	<u>5,104,092</u>	<u>4,938,003</u>
 Total Liabilities and Net Assets	 <u>\$ 18,708,646</u>	 <u>\$ 18,844,086</u>

CALDWELL ACADEMY

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2011
 (With Comparative Totals Only for June 30, 2010)

	2011		Total	2010 Total
	Unrestricted	Temporarily Restricted		
Revenue and Support				
Tuition net of discounts of \$459,639 and \$479,865 for 2011 and 2010, respectively	\$ 5,567,380	\$ -	\$ 5,567,380	\$ 5,050,805
Fundraising revenue net of expense of \$24,394 and \$14,698 for 2011 and 2010, respectively	487,711	-	487,711	304,185
Contributions	-	96,073	96,073	81,215
Booster club revenue net of expense of \$26,990 and \$11,390 for 2011 and 2010, respectively	2,661	-	2,661	12,676
Other operating revenue	190,805	-	190,805	167,705
Interest/dividend income	15,204	2,459	17,663	21,427
Rental income	16,373	-	16,373	14,124
Unrealized gain on investments	-	21,646	21,646	10,895
Loss on sale of donated investments	(94)	-	(94)	-
Loss on disposal of assets	(11,707)	-	(11,707)	-
Net assets released from restrictions: Satisfaction of endowment fund restriction	96,073	(96,073)	-	-
Total Revenue and Support	6,364,406	24,105	6,388,511	5,663,032
Operating Expenses				
Program Services	5,368,300	-	5,368,300	5,136,904
Management and General	573,964	-	573,964	573,233
Fundraising	280,158	-	280,158	226,592
Total Operating Expenses	6,222,422	-	6,222,422	5,936,729
Increase (Decrease) in Net Assets	141,984	24,105	166,089	(273,697)
Net Assets, beginning	4,807,965	130,038	4,938,003	5,211,700
Net Assets, ending	\$ 4,949,949	\$ 154,143	\$ 5,104,092	\$ 4,938,003

See accompanying notes to financial statements.

CALDWELL ACADEMY

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2011
 (With Comparative Totals Only for June 30, 2010)

	2011	2010
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ 166,089	\$ (273,697)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	532,982	509,983
Amortization	12,581	12,581
Loss on sale of donated investments	94	-
Loss on disposal of assets	11,707	-
Unrealized gain on investments	(21,646)	(10,895)
Donated stock	(99,597)	(51,587)
Change in fair market value of interest rate swap	(223,737)	302,243
(Increase) decrease in operating assets:		
Promises to give	181,443	208,311
Tuition receivable	35,560	88,008
Other receivables	(54,964)	42,819
Prepaid expenses	7,677	684
Increase (decrease) in operating liabilities:		
Accounts payable	11,097	(5,483)
Accrued expenses	(6,073)	21,651
Accrued payroll and other liabilities	48,554	(6,047)
Deposits	(10,920)	(9,389)
Prepaid tuition and fees	(120,451)	36,178
Net Cash Provided by Operating Activities	<u>470,396</u>	<u>865,360</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	(377,122)	(444,729)
Proceeds from sale of donated stock	99,503	51,587
Purchase of investments	(2,459)	(2,598)
Net Cash Used in Investing Activities	<u>(280,078)</u>	<u>(395,740)</u>
Cash Flows from Financing Activities		
Payments on notes payable	-	(1,000,000)
Net Cash Used in Financing Activities	<u>-</u>	<u>(1,000,000)</u>
Net Increase (Decrease) in Cash	190,318	(530,380)
Cash, beginning	<u>4,290,177</u>	<u>4,820,557</u>
Cash, ending	<u>\$ 4,480,495</u>	<u>\$ 4,290,177</u>

See accompanying notes to financial statements.

CALDWELL ACADEMY

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2011
(With Comparative Totals Only for June 30, 2010)

	<u>2011</u>	<u>2010</u>
Supplemental Disclosures of Cash Flow Information		
Cash paid during the year for interest	<u>\$ 286,700</u>	<u>\$ 320,300</u>
NonCash Transactions		
Stock was donated to the capital campaigns at fair market value	<u>\$ 99,597</u>	<u>\$ 51,587</u>

See accompanying notes to financial statements.

CALDWELL ACADEMY

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2011
(With Comparative Totals Only for June 30, 2010)

	2011			2010	
	Program	Management and General	Fundraising	Total	Total
Operating Expenses					
Advertising and recruiting	\$ 8,287	\$ 1,349	\$ -	\$ 9,636	\$ 5,117
Office supplies	7,106	826	331	8,263	7,800
Dues and subscriptions	10,970	1,276	510	12,756	12,894
Professional fees	12,968	1,508	603	15,079	23,293
Bank/brokerage charges	535	62	25	622	2,033
Postage	8,175	951	380	9,506	10,683
Professional development	37,702	-	-	37,702	39,178
Travel	14,900	1,733	693	17,326	6,627
Printing costs	22,104	2,570	1,028	25,702	26,868
Telephone	9,735	1,132	453	11,320	11,571
Advancement and recruiting	9,793	-	-	9,793	10,173
Hospitality/advancement	3,052	-	3,052	6,104	6,104
Head of school	2,649	7,947	2,649	13,245	22,230
Insurance - other	28,625	3,329	1,331	33,285	30,241
Building grounds miscellaneous	80,334	9,341	3,736	93,411	34,929
Utilities	134,258	15,611	6,245	156,114	129,654
Cleaning/janitorial	115,140	13,388	5,355	133,883	123,549
Repairs and maintenance	108,083	12,568	5,027	125,678	87,638
IT repair and maintenance	45,387	5,278	2,111	52,776	55,520
Cable	5,128	596	239	5,963	5,603
Vehicle	21,743	2,528	1,011	25,282	17,578
Facility rental	21,844	-	3,556	25,400	40,000
Capital improvements	21,492	2,499	1,000	24,991	4,551
Curriculum and books	101,752	-	-	101,752	133,104
Classroom/lab supplies	31,307	-	-	31,307	26,406
Class projects/clubs	31,421	-	-	31,421	25,462
Awards	122	-	-	122	165
School events	9,390	-	1,529	10,919	5,674
Scholarships and aid	150,684	-	-	150,684	124,638
Testing	21,259	-	-	21,259	2,882
Library	9,720	-	-	9,720	3,286
Athletics	73,317	-	-	73,317	71,251
Yearbook	31,241	-	-	31,241	19,807
Hot lunch	97,450	-	-	97,450	71,281
Fine arts	22,929	-	-	22,929	18,768
Salaries and wages	2,936,677	341,474	136,590	3,414,741	3,032,516
Payroll taxes	208,622	24,258	9,703	242,583	213,661
Employee benefits	213,282	24,800	9,920	248,002	207,436
Operations assistance	-	17,647	-	17,647	27,430
Other expenses	12,790	1,488	598	14,876	13,273
Depreciation	458,365	53,298	21,319	532,982	509,983
Amortization	10,820	1,258	503	12,581	12,581
Interest expense and bond fees	217,142	25,249	10,100	252,491	703,291
Provision for doubtful accounts	-	-	50,561	50,561	-
Total Operating Expenses	\$ 5,368,300	\$ 573,964	\$ 280,158	\$ 6,222,422	\$ 5,936,729

See accompanying notes to financial statements.

CALDWELL ACADEMY
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Caldwell Academy (the Academy) is a North Carolina not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code that was incorporated November 17, 1994. Its mission is to assist parents from a biblical perspective in the instruction of their child by providing a classical Christian education. The Academy receives a majority of its operating income through tuition and fees for educational services.

Accrual Basis

The financial statements of the Academy have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Basis of Presentation

The Academy reports information regarding its financial position and activities according to two classes of net assets: unrestricted net assets and temporarily restricted net assets.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Academy's financial statements for the year ended June 30, 2010, from which the summarized information was derived.

Contributions

Contributions received are recorded as unrestricted or temporarily restricted support, depending on the existence and/or nature of any donor restrictions.

When a restriction expires (that is, when a stipulated time restriction ends or the purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Property and Equipment

Property and equipment is stated at cost if purchased or fair market value at the date of gift if donated. Depreciation is provided over the estimated useful lives of the respective assets using the straight line and accelerated depreciation methods. Depreciation expense for the current year ended June 30, 2011 was \$532,982. Software is amortized according to generally accepted accounting principles and netted against the cost of software. Amortization expense for the year ended June 30, 2011 was \$12,581.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash includes cash in checking and money market funds.

CALDWELL ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *[cont'd]***Reclassifications**

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Advertising

The Academy follows the policy of charging the costs of advertising to expense as incurred.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates.

Investments

The Academy carries investments in mutual funds with readily determinable fair values in the statement of financial position. Unrealized gains and losses are included in the change of net assets in the accompanying statement of activities. The Academy maintains the investment in its donor-restricted scholarship fund. The Academy established a policy of only distributing 5% of the value of the fund to be used for scholarships.

Donated Assets

Donated marketable securities are recorded as contributions at their estimated fair values at the date of donation.

Income Tax Status

The Academy is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Academy's tax-exempt purpose is subject to taxation as unrelated business income. The Academy does not receive income that is not related to its tax exempt purpose.

The Academy accounts for uncertain income tax positions by prescribing a minimum probability threshold a tax position must meet before a financial statement income tax benefit is recognized. The minimum threshold is defined as a tax position, based solely on its technical merits, that would more likely than not be sustained upon examination by the relevant tax authority with knowledge of the same facts. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate resolution. Based on all known facts and circumstances and current tax law, the Academy believes the total amount of uncertain income tax position liabilities and related accrued interest are not material to its financial position. As of June 30, 2011 and including the previous three years considering extensions, the Academy's income tax returns are open and subject to examination by tax authorities with relevant jurisdiction. Should such an examination take place, management does not anticipate any significant issues related to the open years.

CALDWELL ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

2. BOND PAYABLE

The Academy entered into a financing agreement wherein a facilities authority issued bonds and in turn loaned the proceeds to the Academy to finance particular projects and to refinance previous debt obligations. The bonds shall initially bear interest at a weekly rate from the issue date until the date on which the interest rate determination method is changed. The interest rate is determined below under the caption interest rate swap. The bonds are secured by a credit facility irrevocable letter of credit with a financial institution. The Academy has pledged as collateral in consideration for the letter of credit: (i) all pledged bonds, (ii) all income, earnings profits, interest premium, or other payments in whatever form in respect of the pledged bonds; and (iii) all proceeds (cash and non cash) arising out of the sale, exchange, collection, enforcement, or other disposition of all or any portion of the pledged bonds. Also, the financial institution has further security in a first lien deed trust on the campus and the improvements now or hereafter constructed.

	\$ 9,000,000
Less - current maturities	<u>(225,000)</u>
Net Long-Term Debt	<u>\$ 8,775,000</u>

Future maturities of long-term debt are as follows:

<i>Year Ending June 30:</i>	
2012	\$ 225,000
2013	240,000
2014	250,000
2015	265,000
2016	280,000
Thereafter	<u>7,740,000</u>
	<u>\$ 9,000,000</u>

In addition to the bond financing detailed above, the Academy entered into an interest rate swap agreement detailed as follows:

The bonds are issued in a floating-rate mode with interest rate reset every seven days. The variable rate will closely track the Bond Market Association Index (BMA). The Academy entered into a floating-to-fixed interest rate swap on 75% of the bonds comprising the notional amount of \$6,750,000 USD through maturity. Effective date of the interest rate swap is September 1, 2007, and termination date is June 1, 2033. The rate is fixed at 3.84% on that 75% portion and the remainder is floating. Period end and payment dates are on the 1st of each month commencing October 1, 2007, through the termination date. The rate paid by the financial institution is the floating rate option of 68% of USD LIBOR-BBA one month rate on the notional of .08% at June 30, 2011.

CALDWELL ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

3. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets consist of the following at June 30, 2011:

Geran C. Robinson Fund	<u>\$ 154,143</u>
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4. FUNDRAISING COSTS

The Academy directly expenses all fundraising and booster club costs as incurred. Fundraising and booster club costs include costs to purchase materials that are subsequently sold in the fundraisers, and costs to implement and conduct the fundraisers. Total direct fundraising and booster club expenses for the year ended June 30, 2011 was \$51,384 and were netted against fundraising revenue and booster club revenue in the statement of activities. Direct fundraising expenses consist of Annual Fund, Cookbook, Entertainment Books, Wrapping Paper, Cheerleading, Clothing, School Store, Booster Club, Class Fundraising, and Fine Arts fundraisers. In addition, a portion of operating expenses for the year ended June 30, 2011, of \$280,158 were allocated to fundraising.

5. CASH

The Academy maintains the majority of its cash balance at one bank. The accounts at this major bank are insured by the Federal Deposit Insurance Corporation up to \$250,000. Whenever cash balances exceed the amount insured, there is a risk of monetary loss. The \$250,000 limit is exceeded throughout the year ended June 30, 2011.

6. RETIREMENT PLAN

The Academy established a Section 403(b) retirement plan for its employees on July 1, 2000. Eligible participants are all employees of the Academy. Elective deferrals may be made to the plan up to Section 403(b) limitations. The Academy shall make matching contributions equal to 100% of elective deferrals by the employee up to a limit of 3% of the employee's compensation. Matching contributions at year ended June 30, 2011, amounted to \$65,629.

7. OPERATING LEASES

The Academy leases one item of office equipment with monthly lease payments of \$519. The lease expires August 2011.

Lease expense incurred for the year ended June 30, 2011, was \$6,228.

Future lease obligations consist of:

<i>Year Ending June 30:</i>	
2012	<u>\$ 1,037</u>

CALDWELL ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

8. INVESTMENTS

Investments held and managed by the Academy are reported at fair market value as of June 30, 2011. Due to market fluctuations, the stated values may vary. The following is a summary of investments classified by major type:

	<u>Cost</u>	<u>FMV</u>
Mutual funds	\$ 145,429	\$ 154,143

The following summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2011:

	<u>Temporarily Restricted</u>
Mutual funds:	
Interest/dividends	\$ 2,459
Unrealized gain	<u>21,646</u>
Net Gain	<u><u>\$ 24,105</u></u>

9. PROMISES TO GIVE

Promises to give are recognized as revenues in the period received and as assets. Promises to give have been pledged as collateral to secure present debt secured by the Academy. Allowance is considered for promises to give that are overdue one year after completion of the capital campaign period. Promises to give for the year ended June 30, 2011, are as follows:

<i>Receivables due June 30:</i>	
2012	\$ 835,121
(Less allowance for doubtful pledges)	<u>(36,161)</u>
Net Promises to Give	<u><u>\$ 798,960</u></u>

10. LESSOR AGREEMENT

The Academy leases its facility and grounds to a church in order to practice stewardship of God's resources. Monthly rental paid to the Academy is \$1,400 per month. Net rental revenue received by the Academy as of June 30, 2011, was \$16,373, net of expense of \$731.

11. SUBSEQUENT EVENTS

The Academy evaluated events occurring subsequent to the statement of financial position date through August 24, 2011, the date the financial statements were available to be issued.

CALDWELL ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

12. FAIR VALUE MEASUREMENT

Financial Accounting Standards Board Codification establishes a framework for measuring fair value. 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 measurement) hierarchy under FASB Codification 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 assets or liabilities;
- Inputs that are derived principally from or corroborated by 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.

The following is a description of the valuation methodologies used for assets measured at fair value:

Mutual funds: Valued at the net asset value (NAV) of shares held by the plan at year end.

Promises to give: Discounted to approximate fair value.

Interest rate swap: Valued at fair market value (FMV).

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.

CALDWELL ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

12. FAIR VALUE MEASUREMENT *[cont'd]*

The following table sets forth by level, within the fair value hierarchy, the Academy's assets at fair value as of June 30, 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Debt/Equity mutual funds	\$ 154,143	\$ ---	\$ ---	\$ 154,143
Promises to give, net	---	---	798,960	798,960
Total assets at fair value	<u>\$ 154,143</u>	<u>\$ ---</u>	<u>\$ 798,960</u>	<u>\$ 953,103</u>

The following table sets forth by level, within the fair value hierarchy, the Academy's liabilities at fair value as of June 30, 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Interest rate swap	\$ ---	\$ ---	\$ 1,044,547	\$ 1,044,547
Total liabilities at fair value	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 1,044,547</u>	<u>\$ 1,044,547</u>

The following table sets forth by level, within the fair value hierarchy, the Academy's assets at fair value as of June 30, 2010:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Debt/Equity mutual funds	\$ 130,038	\$ ---	\$ ---	\$ 130,038
Promises to give, net	---	---	980,403	980,403
Total assets at fair value	<u>\$ 130,038</u>	<u>\$ ---</u>	<u>\$ 980,403</u>	<u>\$ 1,110,441</u>

The following table sets forth by level, within the fair value hierarchy, the Academy's liabilities at fair value as of June 30, 2010:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Interest rate swap	\$ ---	\$ ---	\$ 1,268,284	\$ 1,268,284
Total liabilities at fair value	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 1,268,284</u>	<u>\$ 1,268,284</u>

Level 3 Gains and Losses

The table below sets forth a summary of changes in the fair value of the Academy's Level 3 assets for the year ended June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Balance, beginning of year	\$ 1,268,284	\$ 966,040
Changes to balance	<u>(223,737)</u>	<u>302,244</u>
Balance, end of year	<u>\$ 1,044,547</u>	<u>\$ 1,268,284</u>