

**LAKEVIEW ACADEMY OF SCIENCE,  
ARTS AND TECHNOLOGY**

**FINANCIAL STATEMENTS**

Year Ended June 30, 2009

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1329 South 800 East • Orem, Utah 84097-7700 • (801) 225-6900 • Fax (801) 226-7739 • www.squire.com

## INDEPENDENT AUDITOR'S REPORT

Board of Trustees

Lakeview Academy of Science, Arts and Technology

We have audited the statement of financial position of Lakeview Academy of Science, Arts and Technology (a nonprofit organization) as of June 30, 2009, and the related statements of activities, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of Lakeview Academy of Science, Arts and Technology'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 Lakeview Academy of Science, Arts and Technology's 2008 financial statements and, in our report dated November 22, 2008, 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 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 Lakeview Academy of Science, Arts and Technology as of June 30, 2009 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Squire &amp; Company, PC". The signature is written in a cursive, flowing style.

November 6, 2009

**LAKEVIEW ACADEMY OF SCIENCE, ARTS AND TECHNOLOGY**  
**STATEMENT OF FINANCIAL POSITION**

June 30, 2009, with Comparative Totals for 2008

	2009	2008
<b>Assets:</b>		
Cash	\$ 972,217	\$ 749,798
Restricted for debt service and capital improvements:		
Cash	61,394	-
Investments	1,139,278	1,146,689
Receivables:		
Local	-	1,487
State	22,039	757
Federal	10,917	183,183
Prepaid expenses	34,407	41,569
Bond issuance costs, net of accumulated amortization	427,236	442,541
Capital assets:		
Land	940,000	940,000
Buildings and improvements and equipment, net of accumulated depreciation	<u>7,082,246</u>	<u>7,283,226</u>
Total assets	<u>10,689,734</u>	<u>10,789,250</u>
<b>Liabilities:</b>		
Accounts payable	11,278	39,106
Payroll and related benefits payable	154,727	177,866
Unearned revenue:		
State	2,291	4,576
Accrued interest	245,010	250,707
Bonds payable:		
Portion due or payable within one year	145,000	130,000
Portion due or payable after one year	<u>9,330,000</u>	<u>9,490,208</u>
Total liabilities	<u>9,888,306</u>	<u>10,092,463</u>
<b>Net Assets:</b>		
Designated for food services	1,323	-
Undesignated	<u>800,105</u>	<u>696,787</u>
Total net assets	<u>\$ 801,428</u>	<u>\$ 696,787</u>

The accompanying notes are an integral part of this financial statement.

**LAKEVIEW ACADEMY OF SCIENCE, ARTS AND TECHNOLOGY**  
**STATEMENT OF ACTIVITIES**

Year Ended June 30, 2009, with Comparative Totals for 2008

	2009	2008
<b>Unrestricted Net Assets:</b>		
Revenues and support:		
Local:		
Tuitions and fees	\$ 21,375	\$ 16,421
Food services	73,726	80,735
Interest	13,792	64,425
Contributions	19,833	23,759
Other	9,952	1,387
State	3,553,445	3,772,999
Federal	410,503	297,486
	<u>4,102,626</u>	<u>4,257,212</u>
Total revenues and support		
Expenses:		
Program services:		
School	3,604,622	3,645,480
Food services	209,437	197,882
	<u>3,814,059</u>	<u>3,843,362</u>
Total program services		
Supporting services:		
General	173,379	199,657
Fundraising	10,547	22,611
	<u>183,926</u>	<u>222,268</u>
Total supporting services		
Total expenses	<u>3,997,985</u>	<u>4,065,630</u>
<b>Change in Net Assets</b>	104,641	191,582
<b>Net Assets at Beginning of Year</b>	<u>696,787</u>	<u>505,205</u>
<b>Net Assets at End of Year</b>	<u><u>\$ 801,428</u></u>	<u><u>\$ 696,787</u></u>

The accompanying notes are an integral part of this financial statement.

**LAKEVIEW ACADEMY OF SCIENCE, ARTS AND TECHNOLOGY**  
**STATEMENT OF CASH FLOWS**

Year Ended June 30, 2009, with Comparative Totals for 2008

	2009	2008
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ 104,641	\$ 191,582
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation of capital assets	241,766	212,891
Loss on sale of capital assets	340	-
Amortization of bond issuance costs	15,305	15,304
Amortization of bond premium	(15,208)	(16,593)
Changes in operating assets and liabilities:		
Receivables	152,471	(181,596)
Prepaid expenses	7,162	(41,569)
Accounts payable	(27,828)	29,054
Payroll and related benefits payable	(23,139)	(25,539)
Unearned revenue	(2,285)	4,576
Accrued interest	(5,697)	206,287
Total adjustments	<u>342,887</u>	<u>202,815</u>
Net cash provided by operating activities	447,528	394,397
<b>Cash Flows from Investing Activities:</b>		
Purchases of capital assets	(41,726)	(361,849)
Proceeds from sale of capital assets	600	-
Net purchases of investments	<u>7,411</u>	<u>(19,421)</u>
Net cash used by investing activities	(33,715)	(381,270)
<b>Cash Flows from Financing Activities:</b>		
Repayment of bond payable	<u>(130,000)</u>	<u>-</u>
<b>Net Change in Cash</b>	283,813	13,127
<b>Cash at Beginning of Year</b>	<u>749,798</u>	<u>736,671</u>
<b>Cash at End of Year</b>	<u><u>\$ 1,033,611</u></u>	<u><u>\$ 749,798</u></u>
As displayed on the statement of financial position:		
Cash	\$ 972,217	\$ 749,798
Cash restricted for debt service and capital improvements	<u>61,394</u>	<u>-</u>
	<u><u>\$ 1,033,611</u></u>	<u><u>\$ 749,798</u></u>
<b>Supplemental Information:</b>		
Interest paid during 2009 totaled \$535,896.		

The accompanying notes are an integral part of this financial statement.

**LAKEVIEW ACADEMY OF SCIENCE, ARTS AND TECHNOLOGY**  
**STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended June 30, 2009, with Comparative Totals for 2008

	Program Services		Supporting Services		Totals	
	School	Food Services	General	Fundraising	2009	2008
Salaries	\$ 2,014,008	\$ 69,958	\$ 3,396	\$ 207	\$ 2,087,569	\$ 2,016,101
Employee benefits	465,455	11,858	778	47	478,138	436,040
Professional and technical services	82,619	-	94,855	-	177,474	182,070
Purchased property services	14,523	844	10,910	42	26,319	74,718
Other purchased services	25,293	858	13,876	43	40,070	45,212
Supplies	256,013	84,926	6,758	8,143	355,840	451,769
Property	50,046	548	454	28	51,076	91,814
Other	569	-	8,870	-	9,439	12,236
Interest	478,118	27,780	22,997	1,399	530,294	542,779
Depreciation	217,978	12,665	10,485	638	241,766	212,891
Total expenses	<u>\$ 3,604,622</u>	<u>\$ 209,437</u>	<u>\$ 173,379</u>	<u>\$ 10,547</u>	<u>\$ 3,997,985</u>	<u>\$ 4,065,630</u>

The accompanying notes are an integral part of this financial statement.

## LAKEVIEW ACADEMY OF SCIENCE, ARTS AND TECHNOLOGY NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies

Organization and Activities – Lakeview Academy of Science, Arts and Technology (the School) was incorporated in the state of Utah on May 5, 2005 as a nonprofit organization involved in public education. The School operates a public charter school in Saratoga Springs, Utah, and serves students from kindergarten through grade nine. The School provides the following program services: *school* (instruction and related services) and *food services*. Supporting services include *general* (Board-related costs and central services) and *fundraising*.

Basis of Accounting – These financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, capital assets, payables, debt, and other liabilities in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation – The School reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

Comparative Financial Information – The financial statements include certain prior-year summarized comparative information in total but not by function. 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 School's financial statements for the year ended June 30, 2008, from which the summarized information was derived.

Income Taxes – The School is exempt from federal income tax under Section 501(a) of the Internal Revenue Code and is classified as a Section 501(c)(3) public charity.

Cash and Investments Restricted for Debt Service and Capital Improvements – Included in the proceeds of the bonds issued by the School (see Note 5) are amounts set aside in bond funds for the cost of certain capital improvements to facilities and debt service reserves. Deposits to and withdrawals from these bond funds are governed by the bond agreement. These bond funds are presented as restricted cash and investments and are measured at fair value (see Note 2).

Accounts Receivable – The School's accounts receivable consists of amounts due from federal, state, and local sources. No allowance for doubtful accounts has been established, as the School deems all amounts to be fully collectible.

Prepaid Expenses – The School has made payments for deposits and materials that will be utilized or refunded in a future period.

Bond Issuance Costs and Bond Premiums – The School has capitalized certain costs associated with the issuance of its bonds payable. Also, the bonds were issued at a premium. These costs and the premium are being amortized on a straight-line basis over the life of the bonds.

**LAKEVIEW ACADEMY OF SCIENCE, ARTS AND TECHNOLOGY**  
**NOTES TO FINANCIAL STATEMENTS**

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Capital Assets – Capital assets are recorded at cost (or, if donated, at the estimated fair value at the date of donation). Capital assets valued at \$1,000 or more are capitalized and depreciated, using the straight-line depreciation method, over the following estimated useful lives of the assets:

<u>Asset Class</u>	<u>Depreciable Lives (Years)</u>
Buildings and improvements	3 to 39
Equipment	3 to 10

Maintenance, repairs, and renewals, which neither materially add value to the property nor prolong its useful economic life, are charged to expense as incurred.

Donated Services – No amounts have been reflected in the financial statements for donated services. However, many individuals volunteer their time and perform a variety of tasks that assist the School with specific programs, administration, fundraising, and Board assignments.

Advertising – Advertising costs are charged to expense as incurred and totaled \$3,341 for the year ended June 30, 2009.

Revenue Recognition – Operating funds for the School are derived principally from federal and state sources. The School receives state funding based on the number of students enrolled in the School. The School also receives federal and state grants on a reimbursement basis. Accordingly, grant revenues are recognized when qualifying expenses have been incurred and all other grant requirements have been met. Amounts of restricted grants received in excess of qualifying expenditures are recorded as deferred revenue. When both restricted and unrestricted resources are available for use, it is the School’s policy to use restricted funds first, then unrestricted resources as they are needed.

Expense Allocation – The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and statement of functional expenses. Directly identifiable expenses are charged to programs and supporting services. Expenses (such as facilities costs, depreciation, and interest expense) related to more than one function are charged to programs and supporting services based on direct costs.

Estimates – Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and support and expenses. Actual results could differ from those estimates.

**Note 2. Concentrations**

Cash Deposits – At June 30, 2009, the School’s book balance of cash accounts totaled \$1,033,611, of which \$61,394 is restricted for debt service and capital improvements, and the bank balance was \$1,050,745, of which \$62,323 was covered by federal depository insurance.

**LAKEVIEW ACADEMY OF SCIENCE, ARTS AND TECHNOLOGY**  
**NOTES TO FINANCIAL STATEMENTS**

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Investments – Investments consist of the following restricted accounts at June 30, 2009:

Bond investment accounts:	
Principal and interest fund	\$ 354,352
Debt service reserve fund	676,477
Tax and insurance escrow fund	48,482
Construction fund	15,359
Repair and replacement fund	44,608
Total	<u>\$ 1,139,278</u>

The School has invested in a mutual fund, primarily comprised of high-quality U.S. Government securities and repurchase agreements. The mutual fund is rated at A or higher by Moody's Investor Service, Inc. or by Standard and Poor's Corporation. The investment is held in the name of the School by a financial institution as required by the bond agreement (See Note 5). The mutual fund portfolio is collateralized by the underlying securities and is not otherwise insured. The School has \$1,139,278 invested in the mutual fund at June 30, 2009.

Revenue and Support – The majority of the School's revenue and support comes from the U.S. Department of Education (passed through the Utah State Office of Education) and the State of Utah. Federal and state revenues are 97 percent of total revenue and support for the year ended June 30, 2009.

**LAKEVIEW ACADEMY OF SCIENCE, ARTS AND TECHNOLOGY**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 3. Capital Assets**

Capital assets activity for the year ended June 30, 2009 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 940,000	\$ -	\$ -	\$ 940,000
Capital assets being depreciated:				
Buildings and improvements	7,182,753	20,307	-	7,203,060
Equipment	333,159	21,419	(1,167)	353,411
Total capital assets being depreciated	<u>7,515,912</u>	<u>41,726</u>	<u>(1,167)</u>	<u>7,556,471</u>
Accumulated depreciation for:				
Buildings and improvements	(202,151)	(189,165)	-	(391,316)
Equipment	(30,535)	(52,601)	227	(82,909)
Total accumulated depreciation	<u>(232,686)</u>	<u>(241,766)</u>	<u>227</u>	<u>(474,225)</u>
Total capital assets being depreciated, net	<u>7,283,226</u>	<u>(200,040)</u>	<u>(940)</u>	<u>7,082,246</u>
Total capital assets, net	<u>\$ 8,223,226</u>	<u>\$ (200,040)</u>	<u>\$ (940)</u>	<u>\$ 8,022,246</u>

Depreciation expense was \$241,766 for the year ended June 30, 2009.

**Note 4. Retirement Plans**

The School has adopted a 401(k) retirement plan. All full-time teachers and the administrator are eligible to participate in the plan. The School contributes 7 percent of all eligible employees' salaries to the plan. The School contributed \$130,140 to the plan during the year ended June 30, 2009. Plan assets are held by the Utah Interlocal Benefits Trust.

**Note 5. Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2009 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable	\$ 9,605,000	\$ -	\$ (130,000)	\$ 9,475,000	\$ 145,000
Unamortized premium	15,208	-	(15,208)	-	-
Net bonds payable	<u>\$ 9,620,208</u>	<u>\$ -</u>	<u>\$ (145,208)</u>	<u>\$ 9,475,000</u>	<u>\$ 145,000</u>

**Bonds Payable** – In May 2007, the School purchased its facilities by issuing \$9,605,000 of bonds: Series A bonds (coupon rate of 5.625 percent, 30-year maturity) totaling \$8,015,000, Series A bonds (coupon rate of 5.350 percent, 10-year maturity) totaling \$1,315,000, and Series B bonds (coupon rate of 7.000 percent, 2-year maturity) totaling \$275,000. The terms

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**NOTES TO FINANCIAL STATEMENTS**

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of the bond agreement identify the Series A bonds as senior to the Series B bonds should the School default on its payment of the bonds.

The bonds were issued through Utah County (a local government) in order to receive tax exempt status through the industrial bond statutes. Utah County acted as flow-through conduit in the transaction and is not contingently liable should the School default on the payment of the bonds.

Bond proceeds of \$676,346 were placed in a debt reserve fund. These funds along with all interest earnings will be used for the payment of principal and interest in the event other bond funds are insufficient to make such payments when due.

The future debt service of the bonds is summarized as follows:

Year Ending June 30,	Principal	Interest	Total
2010	\$ 145,000	\$ 531,346	\$ 676,346
2011	135,000	521,197	656,197
2012	145,000	513,974	658,974
2013	150,000	506,216	656,216
2014	160,000	498,191	658,191
2015 - 2019	935,000	2,353,461	3,288,461
2020 - 2024	1,230,000	2,064,657	3,294,657
2025 - 2029	1,615,000	1,677,375	3,292,375
2030 - 2034	2,120,000	1,169,157	3,289,157
2035 - 2038	2,840,000	464,344	3,304,344
	<u>\$ 9,475,000</u>	<u>\$ 10,299,918</u>	<u>\$ 19,774,918</u>

The Series B bonds were issued at a premium of \$33,182, which was amortized on a straight-line basis over the 2-year life of the bonds. Amortization expense is \$15,208 for the year ended June 30, 2009. Accumulated amortization is \$33,182 at June 30, 2009.

In conjunction with the bonds, the School incurred issuance costs of \$459,120. Amortization expense relating to issuance costs is \$15,305 for the year ended June 30, 2009. Accumulated amortization is \$31,884 at June 30, 2009.

**Note 6. Related Party Transactions**

The School has entered into the following transactions with related individuals and other related organizations:

The School acquired \$5,097 of supplies from a company that was owned by a Board member during the year ended June 30, 2009. All of the purchases were made before that Board member was elected to the Board.

**LAKEVIEW ACADEMY OF SCIENCE, ARTS AND TECHNOLOGY**  
**NOTES TO FINANCIAL STATEMENTS**

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The School employed an instructional coach who was related to the Director of the School. The instructional coach received \$63,439 in compensation and \$3,352 in benefits from the School for the year ended June 30, 2009.

**Note 7. Commitments**

Management Agreement – On June 4, 2009, the School entered into a one-year agreement with Charter Solutions, Inc. whereby Charter Solutions, Inc. agrees to provide certain fiscal and administrative services to the School from July 1, 2009 to June 30, 2010. Charter Solutions will be paid \$87,400, payable in monthly installments of \$7,283, for these services. Charter Solutions, Inc. was paid \$84,000 for the year ended June 30, 2009 for fiscal and administrative services.

Operating Lease – The School entered into a noncancelable operating lease that expires December 2011 for equipment. The terms of the lease require monthly payments of \$126. Payments for the lease totaled \$1,512 for the year ended June 30, 2009. Future minimum lease payments under the operating lease are as follows:

Year Ending June 30,	
2010	\$ 1,512
2011	1,512
2012	756

**Note 8. Contingencies**

On August 27, 2008, a student was injured at the School. The cost of any claims is anticipated to be covered by the School's insurance coverage.