

**BEEHIVE EDUCATIONAL SERVICES
dba BEEHIVE SCIENCE & TECHNOLOGY ACADEMY**

FINANCIAL STATEMENTS

Year Ended June 30, 2006

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Beehive Educational Services
dba Beehive Science & Technology Academy

We have audited the statement of financial position of Beehive Educational Services (a nonprofit organization) as of June 30, 2006, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of Beehive Educational Services' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Beehive Educational Services as of June 30, 2006, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2006, on our consideration of Beehive Educational Services' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Squire & Company, PC

July 20, 2006

BEEHIVE EDUCATIONAL SERVICES
dba BEEHIVE SCIENCE & TECHNOLOGY ACADEMY
STATEMENT OF FINANCIAL POSITION

June 30, 2006

ASSETS

Current Assets:

Cash	\$ 16,410
Prepaid expenses	<u>10,364</u>
Total current assets	26,774

Capital Assets, net of accumulated depreciation
of \$12,943 at June 30, 2006

	<u>48,908</u>
Total assets	<u><u>\$ 75,682</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:

Accrued expenses	\$ 18,145
Related party notes payable	20,000
Other current liabilities	7,710
Current portion of notes payable	<u>8,145</u>
Total current liabilities	54,000

Notes Payable, less current portion 6,792

Net Assets, Unrestricted 14,890

Total liabilities and net assets \$ 75,682

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

BEEHIVE EDUCATIONAL SERVICES
dba BEEHIVE SCIENCE & TECHNOLOGY ACADEMY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2006

Unrestricted Net Assets:

Revenues and Support:

Federal	\$ 172,544
State	334,507
Contributions	<u>41,159</u>
Total revenues and support	548,210

Expenses:

School:

Salaries	262,374
Employee benefits	56,204
Professional and technical services	19,176
Purchased property services	80,856
Other purchased services	26,175
Supplies and materials	56,861
Property and equipment	19,096
Other expenses	<u>9,413</u>
Total school	530,155

Supporting Services:

Management and general	1,106
Fundraising expense	<u>3,014</u>
Total supporting services	<u>4,120</u>
Total expenses	<u>534,275</u>

Change in Net Assets 13,935

Net Assets at Beginning of Year 955

Net Assets at End of Year \$ 14,890

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

BEEHIVE EDUCATIONAL SERVICES
dba BEEHIVE SCIENCE & TECHNOLOGY ACADEMY
STATEMENT OF CASH FLOWS

Year Ended June 30, 2006

Cash Flows from Operating Activities:

Change in net assets	\$ 13,935
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	12,897
(Increase) decrease in operating assets:	
Prepaid expenses	(10,364)
Increase (decrease) in operating liabilities:	
Accrued expenses	18,145
Related party notes payable	16,000
Deferred revenue	(21,881)
Other current liabilities	<u>3,710</u>
Total adjustments	<u>18,507</u>
Net cash provided by operating activities	32,442

Cash Flows from Investing Activities:

Purchase of capital assets	(60,939)
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Cash Flows from Financing Activities:

Proceeds from issuance of notes payable	19,481
Repayment of notes payable	<u>(4,544)</u>
Net cash provided by financing activities	<u>14,937</u>

Net Change in Cash (13,560)

Cash at Beginning of Year 29,970

Cash at End of Year \$ 16,410

Supplemental Information:

Beehive Science & Technology Academy paid interest of \$456 and no income taxes for the year ended June 30, 2006.

There were no noncash investing or financing activities for the year ended June 30, 2006.

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

**BEEHIVE EDUCATIONAL SERVICES
dba BEEHIVE SCIENCE & TECHNOLOGY ACADEMY
NOTES TO FINANCIAL STATEMENTS**

Note 1. Summary of Significant Accounting Policies

These financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Organization and Activities – Beehive Educational Services, dba Beehive Science & Technology Academy, (the School) was incorporated on February 18, 2004, and operates as a nonprofit organization involved in secondary education. The School operates one public charter school in Salt Lake City, Utah, with students from seventh through eighth grade. Eventually the School will serve students from seventh through twelfth grade.

Income Taxes – The School is exempt from federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3) and has received a determination letter in this regard. The School is considered a public charity.

Capital Assets – Capital assets are carried at cost or, if donated, the approximate fair value at the date of donation. Capital assets valued at \$500 or more are capitalized and depreciated, using straight-line depreciation, over two to ten years.

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, and Board assignments.

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. As of June 30, 2006, the School had only unrestricted net assets.

Revenue Recognition – The principal source of operating funds for the School are federal, state and local funds. The School receives state and local funding based on the number of students enrolled in the School. Certain funds are received on a reimbursement basis and accordingly, revenues of funds from those sources are recognized as qualifying expenses have been incurred and all other grant requirements have been met.

Allocation of Expenses – Directly identifiable expenses are charged to programs and supporting services. Management and general expenses include those expenses that are not directly identifiable with any specific function, but provide for the overall support and direction of the School.

Advertising – Advertising costs are charged to expense as incurred and totaled \$7,134 for the year ended June 30, 2006.

BEEHIVE EDUCATIONAL SERVICES
dba BEEHIVE SCIENCE & TECHNOLOGY ACADEMY
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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.

Concentrations – The majority of the School’s revenue comes from the U.S. government and the State of Utah (passed through the State Office of Education). For the year ended June 30, 2006, federal and state revenue was 92 percent of total revenue and support.

Note 2. Cash

At June 30, 2006, the School’s book balance of deposit accounts totaled \$16,410. The bank balance was \$25,898, all of which is covered by federal depository insurance.

Note 3. Capital Assets

Capital assets at June 30, 2006, consist of the following:

Computers and computer software	\$ 30,344
Equipment	7,371
Furniture and fixtures	9,655
Leasehold improvements	<u>14,481</u>
	61,851
Accumulated depreciation	<u>(12,943)</u>
Net capital assets	<u><u>\$ 48,908</u></u>

Note 4. Leases

The School has entered into an operating lease for its facilities. In addition, the School has entered into an operating lease for office equipment. Lease payments for the year ended June 30, 2006, totaled \$78,863.

BEEHIVE EDUCATIONAL SERVICES
dba BEEHIVE SCIENCE & TECHNOLOGY ACADEMY
NOTES TO FINANCIAL STATEMENTS

Note 4. Leases (Continued)

Future minimum lease payments under these leases are as follows:

Years Ending June 30,	
2007	\$ 96,990
2008	9,804
2009	<u>619</u>
	<u>\$ 107,413</u>

Note 5. Notes Payable

The School paid for leasehold improvements valued at \$14,481 by issuing a note payable bearing 8.0 percent interest. Accumulated depreciation for the leasehold improvements at June 30, 2006 totaled \$5,430. The School also issued an unsecured promissory note payable to an individual bearing 2.0 percent interest. The principal maturities of these notes payable are as follows:

Years Ending June 30,	
2007	\$ 8,145
2008	5,172
2009	<u>1,620</u>
	14,937
Current portion	<u>(8,145)</u>
Long-term portion	<u>\$ 6,792</u>

Note 6. Related Party Transactions

On April 26, 2005, the School issued an unsecured \$4,000 promissory note payable to its principal due September 30, 2005. The School repaid this note during the year ended June 30, 2006. During the year ended June 30, 2006, the School entered into two additional promissory notes payable to the School's principal. The amount of the notes totaled \$20,000. The notes do not bear interest, are unsecured, and are currently due.

**BEEHIVE EDUCATIONAL SERVICES
dba BEEHIVE SCIENCE & TECHNOLOGY ACADEMY
NOTES TO FINANCIAL STATEMENTS**

Note 7. Financial Condition

At June 30, 2006 the School's current liabilities exceeded its current assets by \$27,226. Operations are dependent on federal and state revenues and contributions and loans from the School's principal (see Notes 1 and 6). Net assets less amounts invested in capital assets results in a negative balance of \$34,018 at June 30, 2006. Management of the School is developing a plan to increase enrollment as a way to improve its financial condition. The ability of the School to improve its financial condition is dependent on the success of management's plans. The financial statements do not include any adjustments that might be necessary if management's plans are not successful.



Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
in Accordance With *Government Auditing Standards*

Board of Directors
Beehive Educational Services
dba Beehive Science & Technology Academy

We have audited the financial statements of Beehive Educational Services as of and for the year ended June 30, 2006, and have issued our report thereon dated July 20, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Beehive Educational Services' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of Beehive Educational Services in a separate letter dated July 20, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Beehive Educational Services' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain instances of noncompliance that we have reported to management of Beehive Educational Services in a separate letter dated July 20, 2006.

This report is intended solely for the information and use of the Board of Directors, management, and federal and state oversight agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

Agui & Company, PC

July 20, 2006



Independent Auditor's Report on Legal Compliance
in Accordance with the *State of Utah*
Legal Compliance Audit Guide

Board of Directors
Beehive Educational Services
dba Beehive Science & Technology Academy

We have audited the financial statements of Beehive Educational Services (a nonprofit organization) as of and for the year ended June 30, 2006, and have issued our report thereon dated July 20, 2006. As part of our audit, we have audited Beehive Educational Services' compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions applicable to its major state assistance program as required by the *State of Utah Legal Compliance Audit Guide* for the year ended June 30, 2006. Beehive Educational Services received the following major state assistance program from the State of Utah (passed through the State Office of Education):

Minimum School Program

Management of Beehive Educational Services is responsible for Beehive Educational Services' compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about Beehive Educational Services' compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, Beehive Educational Services complied, in all material respects, with the requirements governing types of services allowed or unallowed; eligibility, matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major state assistance program for the year ended June 30, 2006.

Squire & Company, PC

July 20, 2006



Letter to Management

July 20, 2006

Board of Directors
Beehive Educational Services
dba Beehive Science & Technology Academy

In planning and performing our audit of the financial statements of Beehive Educational Services, (the School) for the year ended June 30, 2006, we noted certain matters for your consideration. This letter summarizes our comments and suggestions regarding these matters. This letter does not affect our report dated July 20, 2006, on the financial statements of the School. Also, reportable conditions and material internal control weaknesses, if any, are included in our report dated July 20, 2006, in accordance with *Government Auditing Standards* and the *State of Utah Legal Compliance Audit Guide*.

Reporting Expenditures by Function – We noted that although the School’s chart of accounts allows for the recording of transactions by object, it is not currently designed in a manner that would also allow expenditures to be coded by function. In order to report accurately each year to the Utah State Office of Education, expenditures need to be tracked by function. We recommend expanding the existing account structure to allow for the classification of expenditure by function.

Views of Responsible Officials – The School has updated its chart of accounts to track expenditures by function.

We will review the status of this comment during our next audit engagement. We have already discussed this comment and suggestions with School personnel, and we will be pleased to discuss it in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendation. We appreciated the assistance of School personnel during the audit.

A handwritten signature in cursive script that reads "Squire & Company, PC".

Squire & Company, PC