

**HURST WOOD EDUCATION FOUNDATION
DBA CLEAR HORIZONS ACADEMY**

Financial Statements

Year Ended December 31, 2010

TABLE OF CONTENTS

	Page <u>Number</u>
Independent Auditors' Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to Financial Statements	5 - 11



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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Hurst Wood Education Foundation DBA Clear Horizons Academy

We have audited the accompanying Statement of Financial Position of Hurst Wood Education Foundation dba Clear Horizons Academy as of December 31, 2010 and the related Statements of Activities, and Cash Flows for the year then ended. These financial statements are the responsibility of Hurst Wood Education Foundation dba Clear Horizons Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 Hurst Wood Education Foundation dba Clear Horizons Academy as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Hawkins Cloward & Simister, LC

HAWKINS CLOWARD & SIMISTER
CERTIFIED PUBLIC ACCOUNTANTS

July 13, 2011

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**HURST WOOD EDUCATION FOUNDATION
DBA CLEAR HORIZONS ACADEMY**

Statement of Financial Position

December 31,2010

ASSETS

Current Assets

Cash and cash equivalents	\$ 223,163
Accounts receivable	784
Notes receivable and interest, related party	1,016,720
Prepaid expenses	1,213
Total current assets	<u>1,241,880</u>

Non-Current Assets

Property and Equipment	1,174,629
Restricted cash and cash equivalents	300,000

Total assets \$ 2,716,509

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 26,861
Accrued liabilities	11,040
Deferred revenue	6,089
Total current liabilities	<u>43,990</u>

Net Assets

Unrestricted	1,207,519
Temporarily restricted	1,215,000
Permanently restricted	250,000
Total net assets	<u>2,672,519</u>

Total liabilities and net assets \$ 2,716,509

See accompanying notes to the financial statements

**HURST WOOD EDUCATION FOUNDATION
DBA CLEAR HORIZONS ACADEMY**

Statement of Activities

Year Ended December 31,2010

Change in Unrestricted Net Assets

Contributions, support and other income	
Utah State Scholarships, Carson Smith	\$ 159,422
Student fees	114,405
Contributions	5,238
Contributions, related party	1,009,124
Special events, net of donor benefits of \$16,003	105,154
Other income	569
Interest, related party	53,834
Total unrestricted revenues and gains	<u>1,447,746</u>
Satisfaction of restrictions	<u>4,500</u>
Total unrestricted revenues, gains, and other support	<u>1,452,246</u>
Expenses	
Program expenses	<u>626,338</u>
Supporting expenses	
General and administrative	82,519
Fundraising	32,475
Total supporting expenses	<u>114,994</u>
Total expenses	<u>741,332</u>
Change in unrestricted net assets	<u>710,914</u>

Change in Temporarily Restricted Net Assets

Contributions from related party	1,215,000
Net assets released from restriction	<u>(4,500)</u>
Change in temporarily restricted net assets	<u>1,210,500</u>

Change in Permanently Restricted Net Assets

Contributions from related party	<u>250,000</u>
Change in permanently restricted net assets	<u>250,000</u>
Change in net assets	<u>2,171,414</u>
Net assets, beginning of year	<u>501,105</u>
Net assets, end of year	<u><u>\$ 2,672,519</u></u>

See accompanying notes to the financial statements

HURST WOOD EDUCATION FOUNDATION
DBA CLEAR HORIZONS ACADEMY
Statement of Cash Flows
Year Ended December 31,2010

Cash Flows From Operating Activities

Change in net assets	\$ 2,171,414
Adjustments to reconcile change in net assets to cash provided by operating activities:	
Depreciation	1,169
Contribution, debt forgiveness	(640,000)
Land contribution	(1,165,000)
Interest revenue added to note receivable	(19,215)
Decrease (increase) in operating assets:	
Accounts receivable	1,994
Prepaid expenses	882
Increase (decrease) in operating liabilities:	
Accounts payable	65,971
Accrued liabilities	(29,456)
Deferred revenue	379
Net cash flows from operating activities	388,138

Cash Flows from Investing Activities

Purchase of property and equipment	(2,210)
Repayment of note receivable	1,004,908
Issuance of note receivable	(997,505)
Net cash flows from investing activities	5,193

Cash Flows from Financing Activities

Net cash flows from financing activities	-
Net increase in cash and cash equivalents	393,331
Cash and cash equivalents, beginning of year	129,832
Cash and cash equivalents, end of year	\$ 523,163

Supplemental Information

The Academy received a donation of land valued at \$1,165,000
The Academy received debt forgiveness totaling \$640,000

Interest paid	\$ -
Income taxes paid	\$ -

HURST WOOD EDUCATION FOUNDATION DBA CLEAR HORIZONS ACADEMY

Notes to Financial Statements

December 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Hurst Wood Education Foundation dba Clear Horizons Academy (the "Academy") is a non-profit corporation established in 2005 to provide services to families impacted by Autism Spectrum Disorders (ASD). The school specializes in providing educational and social learning opportunities for children in preschool and elementary grades with ASD. The team of educators includes an Autism Specialist, Occupational Therapist, Speech Therapist, Special Education Teachers, and teachers' aides who are focused on the individual needs of each student.

Revenue is obtained through tuition, fees, scholarships and donations from public and private sources.

Basis of Presentation

The Academy prepares its financial statements on the accrual basis of accounting and follows U.S. generally accepted accounting principles for nonprofit organizations and reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted based upon the following criteria:

- **Unrestricted net assets** represent expendable funds available for operations which are not otherwise limited by donor restrictions.
- **Temporarily restricted net assets** consist of contributed funds subject to specific donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Academy may spend the funds.
- **Permanently restricted net assets** are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund current operations.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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.

HURST WOOD EDUCATION FOUNDATION DBA CLEAR HORIZONS ACADEMY

Notes to Financial Statements

December 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The Academy considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. At December 31, 2010 the Academy has no cash equivalents. At December 31, 2010, the bank balance of all demand deposits was \$425,271 all of which was covered by FDIC insurance. At December 31, 2010, \$300,000 of cash was restricted by donors (Note 4).

Accounts and Grants Receivable and Promises to Give

Accounts and grants receivable and promises to give are recorded at their estimated fair value less an appropriate allowance for uncollectible amounts. As of December 31, 2010 the Academy has an allowance for doubtful accounts of \$0. Allowances are based on historical experience and management's analysis of specific balances. An account is written off when it is determined that all collection efforts have been exhausted. Receivables not collected within 30 days are considered past due. Promises to give due later than one year are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using various interest rates applicable to the years in which promises are received. Discounts on promises to give that are measured at present value are amortized between the date the promise to give is initially recognized and the date the cash or other contributed assets are received. As of December 31, 2010 all accounts receivable are related to student tuition.

Property and Equipment

Acquisitions of property and equipment in excess of \$500 and all expenditures for repairs and maintenance that materially prolong the useful lives of property and equipment are capitalized. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Property and equipment are stated at cost less accumulated depreciation and amortization, or if acquired by donation, at estimated fair value at the date of the donation. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation and amortization are removed from the accounts and any resulting gain or loss is reflected in the statement of activities for the period.

Depreciation is computed over the following estimated useful lives using the straight-line method:

<u>Assets</u>	<u>Useful Lives</u>
Furniture and equipment	10 years
Computer equipment	10 years
Fence	40 years

HURST WOOD EDUCATION FOUNDATION DBA CLEAR HORIZONS ACADEMY

Notes to Financial Statements

December 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-lived Assets

The Academy reviews long-lived assets for impairment when events or changes in circumstances indicate that their carrying values may not be recoverable. The Academy uses an estimate of future undiscounted cash flows for the related asset over its remaining useful life in measuring whether the assets are recoverable. Management does not believe impairment indicators are present for the year ended December 31, 2010.

Deferred Revenue

Tuition and scholarship revenue paid in advance is deferred and recognized in the month services are provided.

Contributions and In-kind Donations

Contributions are recognized when the donor makes a promise to give to the Academy that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the calendar year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Donations of property and equipment are recorded as support at their estimated fair market value at the date of gift. These donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as temporarily restricted support and reclassified to unrestricted net assets when placed in service. Donations that are restricted for the Academy's permanent use are recorded as permanently restricted.

Contributed Services

No amounts have been reflected in the financial statements for donated services. The Academy generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Academy, but these services do not meet the criteria for recognition as contributed services. The Academy receives approximately 1,800 volunteer hours per year.

HURST WOOD EDUCATION FOUNDATION DBA CLEAR HORIZONS ACADEMY

Notes to Financial Statements

December 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of programs and supporting services have been summarized on a functional basis in the Statement of Activities. All direct costs are charged to the functional area they pertain to. Indirect costs are charged to production and programs and supporting services based on estimates made by management, taking into account the nature of the expense and how it relates to the functional area. General and administrative costs include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Academy.

Income Taxes

The Academy qualifies as a tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code, and accordingly, no provision has been made for federal or state income taxes. The Academy evaluates tax positions for uncertainties. In the event a tax position is determined to result in a probable obligation the Academy records a liability and provision for additional taxes. No provision for uncertain tax positions was recorded by the Academy as of December 31, 2010.

Fair Value of Financial Instruments

The carrying amounts reported in the accompanying Statement of Financial Position for cash, notes receivable, accounts receivable and accounts payable approximate fair values because of the immediate or short-term maturities of these financial instruments.

NOTE 2 – PROPERTY AND EQUIPMENT

Computer equipment	\$ 5,613
Furniture and equipment	7,172
Fence	1,069
Land	1,165,000
Less accumulated depreciation	<u>(4,225)</u>
Property and equipment, net	<u>\$ 1,174,629</u>

Depreciation expense for the year ended December 31, 2010 was \$1,169. During 2010, land with a fair value of \$1,165,000 was donated to the Academy. The land is temporarily restricted for the use of building a school.

HURST WOOD EDUCATION FOUNDATION DBA CLEAR HORIZONS ACADEMY

Notes to Financial Statements

December 31, 2010

NOTE 3 – SHORT-TERM NOTE RECEIVABLE, RELATED PARTY

On February 16, 2010 a note receivable was issued to a related party (Note 6). The balance of the note receivable including interest at December 31, 2010 was \$1,016,720. Included in this balance is \$997,505 of principal and \$19,215 of accrued interest. The note bears interest at 5.5% annually and is payable monthly. There are no specified payment dates for principle. The note is secured by a line of credit in excess of the balance and is due on demand. The fair value of the note receivable is considered to be the carrying amount reported in the accompanying financial statements because of the note being due upon demand. Interest income earned on this note totaled \$49,211 for the year ended December 31, 2010. Funds loaned to the related party are unrestricted cash funds from donors. The Academy has developed an investment policy that attempts to subject the funds to low investment risk and to earn a higher rate of interest.

NOTE 4 – RESTRICTED NET ASSETS

As of December 31, 2010, temporarily restricted net assets consisted of a contribution of land valued at \$1,165,000, restricted for the building of a school and \$50,000 contribution restricted for utility installation on the land contributed to build a school in the future. During 2010 temporarily restricted assets for scholarships totaling \$4,500 were satisfied and are reported in the change of unrestricted net assets on the Statement of Activities.

As of December 31, 2010, permanently restricted assets consisted of a contribution of \$250,000, restricted for the establishment of an endowment to be used to expand the ability to provide educational opportunities, train the trainer programs, and community outreach programs. Any investment income earned on the endowment is unrestricted.

NOTE 5 – OPERATING LEASES

The Academy rents classroom and office space on a month-to-month basis. Total rent expense was \$41,760 for the year ended December 31, 2010.

NOTE 6 – RELATED PARTY BALANCES AND TRANSACTIONS

The founders of the Academy and their family have made significant contributions of time and funds to the Academy. Six of the nine members of the board of trustees and the acting president of the Academy are members of this family. During 2010, these related parties made contributions of restricted assets totaling \$1,465,000 (Note 4). Members of the board and other related parties made \$369,124 of unrestricted cash contributions during 2010.

HURST WOOD EDUCATION FOUNDATION DBA CLEAR HORIZONS ACADEMY

Notes to Financial Statements

December 31, 2010

NOTE 6 – RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

As of December 31, 2010 the Chair of the board of trustees and a member of the board are members of the board in a company to which the Academy has made a short-term loan. As of December 31, 2010, \$1,016,720 was due to the Academy from this related party (Note 3). The Academy recognized interest income of \$49,211 from this note in 2010.

During 2010 the Academy was paid in full for a \$1,000,000 note receivable from a company that one of the Academy's trustees was an officer and owned an interest. In addition, during 2010, the Academy also paid this company for payroll and human resource services provided to the Academy totaling \$293,281. On January 28, 2010, the Academy received a forgiveness of debt and accounts payable from this company totaling \$640,000. This debt forgiveness was recorded as a contribution from a related party.

NOTE 7 – CONCENTRATIONS OF CREDIT AND MARKET RISK AND ECONOMIC DEPENDENCY

For the year ended December 31, 2010, two customers accounted for 100% of total accounts receivable. Tuition received from students is subsidized by the State of Utah Carson Smith Special Needs Scholarship Fund. The tuition received from the State of Utah represents approximately 5.4% of the Academy revenue for 2010.

NOTE 8 – SUBSEQUENT EVENTS

The Academy has evaluated material subsequent events through July 13, 2011, the date which the financial statements were available to be issued. The following subsequent event disclosures have been made.

On January 15, 2011, the Academy received a grant of \$50,000 to be used towards the capital campaign. The grant will be paid out over three years with the first payment of \$17,000 being paid on January 15, 2011. The second payment of \$17,000 will be paid on or before January 1, 2012 and the remaining \$16,000 will be paid on or before January 1, 2013.

On March 2, 2011, the Academy received a pledge of \$100,000 from a related party to be paid by December 31, 2011. The pledge is a temporarily restricted gift, and is to be used for the provision of occupational therapy, speech pathology and other therapeutic services provided to students of the Academy. The pledge was paid in full on March 4, 2011.

HURST WOOD EDUCATION FOUNDATION DBA CLEAR HORIZONS ACADEMY

Notes to Financial Statements

December 31, 2010

NOTE 8 – SUBSEQUENT EVENTS *(CONTINUED)*

On March 2, 2011, the Academy received a pledge of \$250,000 to be paid over 3 years, with full payment due by the end of 2013. The Gift is a temporarily restricted gift, and is to be used solely for the design and construction of the new school facility.

On May 2, 2011, the Academy received a pledge for a total of \$75,000 from a related party to be paid over 3 years. The pledge is temporarily restricted, and is to be used solely for the design and construction of the new school facility. The first payment of \$25,000 was received on May 13, 2011.

On May 27, 2011, the Academy received contributions for the new school capital campaign, from several individuals, including related parties totaling \$844,682. These contributions are temporarily restricted for the building of the new school.

On June 22, 2011, the Academy received a pledge for a total of \$75,000 to be paid over 3 years. The pledge is to be used to provide program support. The first payment of \$25,000 was received on June 30, 2011.