

MERIDIAN ACADEMY
FINANCIAL STATEMENTS
JUNE 30, 2011

RUSSELL, BRIER & CO. LLP

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Trustees
Meridian Academy
Boston, Massachusetts

We have reviewed the accompanying statement of financial position of Meridian Academy (a nonprofit organization) as of June 30, 2011 and 2010, and the related statements of activities and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Academy's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.



Certified Public Accountants

October 4, 2011

MERIDIAN ACADEMY
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2011 AND 2010

ASSETS		<u>2011</u>	<u>2010</u>
Current Assets			
Cash and cash equivalents	\$	184,240	\$ 155,939
Accounts receivable		<u>11,487</u>	<u>11,791</u>
Total current assets		<u>195,727</u>	<u>167,730</u>
Fixed Assets, (net)		<u>30,443</u>	<u>38,156</u>
Other Assets			
Investments		32,824	32,397
Prepaid Salaries and Wages		<u>-</u>	<u>30</u>
Total other assets		<u>32,824</u>	<u>32,427</u>
Total assets	\$	<u><u>258,994</u></u>	\$ <u><u>238,313</u></u>
LIABILITIES			
Current Liabilities			
Accrued expenses	\$	1,732	\$ -
Deferred tuition		<u>111,472</u>	<u>80,191</u>
Total current liabilities		<u>113,204</u>	<u>80,191</u>
Long-term Liabilities			
Deferred tuition		<u>8,000</u>	<u>10,000</u>
Total long-term liabilities		<u>8,000</u>	<u>10,000</u>
Total liabilities		<u>121,204</u>	<u>90,191</u>
NET ASSETS			
Net Assets			
Unrestricted net assets		<u>137,790</u>	<u>148,122</u>
Total net assets		<u>137,790</u>	<u>148,122</u>
Total liabilities and net assets	\$	<u><u>258,994</u></u>	\$ <u><u>238,313</u></u>

See accompanying notes and accountant's report.

MERIDIAN ACADEMY
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Support and Revenue		
Tuition income	\$ 712,096	\$ 725,064
Less: Financial aid	<u>(284,794)</u>	<u>(220,500)</u>
Net tuition	427,302	504,564
Contributions and grants	56,796	32,486
Admission application fees	1,290	1,040
Bank interest and investment income	647	1,165
Student material fees	3,460	3,678
Events	(253)	4,045
Miscellaneous revenue	<u>900</u>	<u>250</u>
Total operating revenue and support	<u>490,142</u>	<u>547,228</u>
Expenses		
Program expenses	466,202	465,355
Administration expenses	34,272	33,222
Fundraising expense	<u>-</u>	<u>-</u>
Total expenses	<u>500,474</u>	<u>498,577</u>
Change in net assets	(10,332)	48,651
Net assets, beginning of the year	<u>148,122</u>	<u>99,471</u>
Net assets, end of the year	<u>\$ 137,790</u>	<u>\$ 148,122</u>

See accompanying notes and accountant's report.

MERIDIAN ACADEMY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Tuition income	\$ 456,887	\$ 418,643
Contributions	56,796	32,486
Interest and dividend income	220	272
Miscellaneous revenue	5,397	9,013
Salaries and wages	(259,107)	(298,908)
Employee benefits and deferred tuition	(64,469)	(46,878)
Payments to other suppliers	<u>(162,165)</u>	<u>(139,417)</u>
Net cash provided by operating activities	<u>33,559</u>	<u>(24,789)</u>
Cash flows from investing activities:		
Purchase of equipment and software	(5,258)	(6,333)
Purchase of investments	<u>-</u>	<u>-</u>
Net cash provided by investing activities	<u>(5,258)</u>	<u>(6,333)</u>
Net increase (decrease) in cash and cash equivalents	28,301	(31,122)
Beginning cash and cash equivalents	<u>155,939</u>	<u>187,061</u>
Ending cash and cash equivalents	<u>\$ 184,240</u>	<u>\$ 155,939</u>

See accompanying notes and accountant's report.

**MERIDIAN ACADEMY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
Increase (decrease) in net assets	\$ (10,332)	\$ 48,651
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	12,970	13,405
Realized and unrealized (gains) losses	(427)	(894)
(Increase) decrease in operating assets:		
Accounts receivable	304	(7,125)
Prepaid Salaries and Wages	1,763	(30)
Increase (decrease) in operating liabilities:		
Deferred tuition	<u>29,281</u>	<u>(78,796)</u>
Net cash provided by operating activities	<u>\$ 33,559</u>	<u>\$ (24,789)</u>

See accompanying notes and accountant's report.

MERIDIAN ACADEMY
STATEMENT OF FUNCTIONAL EXPENSES
JUNE 30, 2011

	Program Expense	Administrative Expenses	Fund Raising Expenses	Total
Salaries and wages	\$ 258,596	\$ 2,274	\$ -	\$ 260,870
Benefits	34,914	-	-	34,914
Payroll taxes	27,063	16	-	27,079
Payroll expenses	-	172	-	172
Admission expenses	2,304	-	-	2,304
Bad debt expense	-	-	-	-
Bank fees & Credit Card Fees	-	245	-	245
Conferences and meetings	-	429	-	429
Depreciation	12,970	-	-	12,970
Development contracts	-	-	-	-
Dues and license fees	-	9,275	-	9,275
Field trips	7,414	-	-	7,414
Filing fees	-	-	-	-
Food and entertainment	912	-	-	912
Health Education Consultant	-	990	-	990
Hiring costs	-	172	-	172
Library Expense	247	-	-	247
Insurance	-	4,597	-	4,597
Miscellaneous	-	688	-	688
Rent	85,000	-	-	85,000
Shipping	-	632	-	632
Software	-	3,447	-	3,447
Student T Passes	400	-	-	400
Student text charges	1,675	-	-	1,675
Supplies	19,566	8,828	-	28,394
Utilities	12,993	-	-	12,993
Extracurricular Sports	-	-	-	-
College Guidance	223	-	-	223
Telephone and internet	-	2,507	-	2,507
Events and Exhibitions	132	-	-	132
Graduation	1,793	-	-	1,793
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 466,202</u>	<u>\$ 34,272</u>	<u>\$ -</u>	<u>\$ 500,474</u>

See accompanying notes and accountant's report.

MERIDIAN ACADEMY
STATEMENT OF FUNCTIONAL EXPENSES
JUNE 30, 2010

	Program Expense	Administrative Expenses	Fund Raising Expenses	Total
Salaries and wages	\$ 292,997	\$ 5,881	\$ -	\$ 298,878
Benefits	17,080	-	-	17,080
Payroll taxes	23,447	4,165	-	27,612
Payroll expenses	-	153	-	153
Admission expenses	2,033	-	-	2,033
Bad debt expense	-	-	-	-
Bank fees & Credit Card Fees	-	319	-	319
Conferences and meetings	-	4,189	-	4,189
Depreciation	13,405	-	-	13,405
Development contracts	-	-	-	-
Dues and license fees	-	1,663	-	1,663
Field trips	15,460	-	-	15,460
Filing fees	-	-	-	-
Food and entertainment	1,239	-	-	1,239
Health Education Consultant	-	900	-	900
Hiring costs	-	954	-	954
Library Expense	1,040	-	-	1,040
Insurance	-	3,858	-	3,858
Miscellaneous	-	352	-	352
Rent	67,000	-	-	67,000
Shipping	-	614	-	614
Software	-	1,073	-	1,073
Student T Passes	(80)	-	-	(80)
Student text charges	2,382	-	-	2,382
Supplies	15,472	6,951	-	22,423
Utilities	11,020	-	-	11,020
Extracurricular Sports	1,700	-	-	1,700
College Guidance	1,160	-	-	1,160
Telephone and internet	-	2,150	-	2,150
Total expenses	\$ 465,355	\$ 33,222	\$ -	\$ 498,577

See accompanying notes and accountant's report.

MERIDIAN ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

Note 1 - Summary of Significant Accounting Policies

Meridian Academy (the "Academy"), a nonprofit, independent day school in Jamaica Plain, Massachusetts, was founded in 2004. The Academy offers education to grade six through grade twelve. The Academy is an urban, independent, college preparatory school that mentors students in a small, vibrant community to become creative, questioning, analytical learners and thoughtful, involved citizens. Our curriculum incorporates the best practices from both progressive and traditional schooling, encouraging students to embrace the joys and challenges of lifelong discovery. The Academy is for students who want to become experienced problem-solvers with leadership skills; who want to propose and carry out original projects; and who want to understand the connections between the different ideas that they study and the world in which we live.

The Academy is exempt from corporate taxes under IRC Section 501(c)(3) and has been classified by the Internal Revenue Service as other than a private foundation. Management believes the tax exempt status will be maintained in the future.

A summary of the significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

- Net Assets

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) No. 958, Financial Statements of Not-for-Profit Entities. Under ASC No. 958, the Academy is required to report 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. As of June 30, 2010, all assets held were unrestricted.

Net assets, revenues, expenses, and gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Unrestricted net assets - Net assets not subject to donor-imposed restrictions.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations or regulatory restrictions that may or will be met by actions of the School and/or the passage of time. At year end, there were no temporarily restricted net assets.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the School. At year end, there were no permanently restricted net assets.

MERIDIAN ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

Note 1 - Summary of Significant Accounting Policies *(continued)*

- Revenues and Expenses

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets.

- Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional; that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

- Donated 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 with specific activities. The amounts for volunteer services are not included in the financial statements because they do not meet the necessary criteria.

- Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

- Functional Allocation of Expenses

Expenses by function have been allocated among programs and supporting services classifications on the basis of estimates made by the Academy's management.

- Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits and certificates of deposit. The Academy maintains at financial institutions cash and cash equivalents which may exceed federally insured amounts at times.

MERIDIAN ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

Note 1 - Summary of Significant Accounting Policies *(continued)*

Accounts Receivable

Accounts receivable include student accounts receivable and other receivables. Student accounts receivable represent amounts due for tuition, fees, and other miscellaneous charges. The School extends unsecured credit to students and parents in connection with their studies. Accounts receivable are stated at the amount management expects to collect from outstanding balances. The School provides for losses on accounts receivable through a provision for bad debt expense and adjustment to a valuation allowance based on payment history. It is the School's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

- Fixed Assets and Depreciation

Assets of \$500 or more with a useful life of one year or more are capitalized. Depreciation is provided over the estimated useful lives of the respective assets on the straight-line basis, with one-half year taken in the first and last years. Depreciation lives range from 3 to 7 years.

- Reclassifications

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

Note 2 - Operating Lease

The Meridian School signed a lease to rent classroom space beginning June 21, 2011 through June 20, 2013. Details of scheduled base payments are as follows:

<u>Year Ending</u>	
6/30/2012	91,000
6/30/2013	93,730
Thereafter	<u>-</u>
Total	<u>\$ 184,730</u>

Note 3 - Fixed Assets

Investment in fixed assets and accumulated depreciation expressed on the statement of financial position comprise the following categories:

MERIDIAN ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

Note 3 - Fixed Assets *(continued)*

<u>2011</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value</u>
Leasehold Improvements	\$ 6,574	\$ (5,339)	\$ 1,235
Computers, peripherals, and software	46,190	(29,993)	16,197
Furniture and fixtures	<u>22,538</u>	<u>(9,527)</u>	<u>13,011</u>
Total	<u>\$ 75,302</u>	<u>\$ (44,859)</u>	<u>\$ 30,443</u>

Depreciation expense for the years 2011 and 2010 was \$12,970 and \$13,405, respectively.

<u>2010</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value</u>
Leasehold Improvement	\$ 6,574	\$ (3,199)	\$ 3,375
Computers, peripherals, and software	40,933	(22,318)	18,615
Furniture and fixtures	<u>22,538</u>	<u>(6,372)</u>	<u>16,166</u>
Total	<u>\$ 70,045</u>	<u>\$ (31,889)</u>	<u>\$ 38,156</u>

Note 4 - Fair Value Measurements

The School adopted Accounting Standards Codification No. 820, Fair Value Measurements (formerly SFAS No. 157) as of July 1, 2009, which among other matters, requires enhanced disclosures about "instruments that are measured and reported at fair value.

ASC No. 820 establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price used in measuring instruments at fair value. Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available quoted prices or for which fair value can be measured for actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. The implementation of ASC No. 820 had no impact on reported amounts.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 - Quoted prices are available in active markets for identical instruments as of the reporting date. The type of instruments included in Level 1 include listed equity and debt securities publicly traded on a Stock Exchange.

MERIDIAN ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

Note 4 - Fair Value Measurements *(Continued)*

Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Instruments which are generally included in this category include less liquid and restricted equity securities and over-the-counter derivatives including corporate bonds and loans, public company equity securities with legal restrictions and interest rate swap contracts.

Level 3 - Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation. Instruments that are included in this category generally include investments in privately held portfolio companies, promissory notes to privately held companies, and interests in other investment partnerships.

In some instances, the inputs to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The valuation of the School's investments by the above fair value hierarchy consisted of the following at June 30, 2011:

	Level 1	Level 2	Level 3	Total
Investments:				
June 30, 2011	\$ 32,834	\$ -	\$ -	\$ 32,834
June 30, 2010	\$ 32,397	\$ -	\$ -	\$ 32,397

Fair value of financial instruments for which the School did not elect the fair value option are listed below. The fair values of such instruments have been derived, in part, by management's assumptions, the estimated amount and timing of future cash flows and estimated discount rates. Different assumptions could significantly affect these estimates presented below. In addition, the estimates are only indicative of the value of the individual financial instruments and should not be considered an indication of the fair value of the School.

Carrying amount approximates fair value for the following financial instruments:

- Cash and cash equivalents
- Student accounts receivable
- Accounts payable and accrued expenses
- Deferred tuition

MERIDIAN ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

Note 5 - Investments

Investments at fair market value are comprised of the following:

Equities	\$ 1,780
Money market funds	<u>31,044</u>
Total	<u>\$ 32,824</u>

Investment return for the year ended June 30, 2011 is computed as follows:

Dividends	\$ 30
Unrealized gains/(losses)	<u>538</u>
Total long-term investment return	568
Interest on short-term investments	<u>79</u>
Total investment return	647
Investment return designated for current operations	<u>\$ 647</u>
Investment return in excess of amounts designated for current operations	<u>\$ -</u>

Note 6 - Employee Retirement Plan

The Organization maintains a defined contribution retirement plan covering all employees after a specified period of service. Eligible employees may contribute a portion of their annual compensation. The Organization offers a matching contribution of up to 6% of an employee's annual compensation. The Organization's contribution amounted to \$ 12,195 and \$ 810 for the years ended June 30, 2011 and 2010 respectively.

Note 7 - Tax Status

Meridian Academy is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. Unrelated business income, of which there was none for the year ended June 30, 2011 would be subject to federal and state income taxes. Consequently, the accompanying financial statements do not reflect any provision for income taxes.

MERIDIAN ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

Note 7 - Tax Status *(continued)*

The Organization evaluates tax positions taken, or expected to be taken, in its tax returns to determine whether tax positions are more-likely-than-not of being sustained by the applicable federal or state authority. The Organization has evaluated the tax positions taken in its previously filed returns and those expected to be taken in 2011 returns and believe they are more-likely-than-not of being sustained if examined by federal or state authorities. The Organization's 2007 through 2010 tax years remain subject to examination by federal and state authorities.

Note 8 - Subsequent Events

There were no subsequent events that required adjustments to or disclosures in the financial statements as of June 30, 2011. Subsequent events were evaluated through October 4, 2011 with the Treasurer, which is the date the School issued the financial statements.