

Howard Gardner Multiple Intelligence CS

Charter Annual Report

07/01/2013 - 06/30/2014

School Profile

Demographics

1615 East Elm Street
Scranton, PA 18505
(570)941-4100

Phase:

Phase 2

CEO Name:

Amy Kenton

CEO E-mail address:

amy.kenton@myhgsd.com

Governance and Staff

Leadership Changes

Leadership changes during the past year on the Board of Trustees and in the school administration:

No leadership changes were implemented during the 2013-2014 school year for the school's director; the Board of Trustees saw the retirement of George Sweda and the inclusion of Lou Nivert and Sal Luzio during the course of the academic year.

Board of Trustees Meeting Schedule

Location	Date and Time
HGMICS - 1615 East Elm Street, Scranton, PA 18505	8/20/2013 6:30 PM
HGMICS - 1615 East Elm Street, Scranton, PA 18505	9/17/2013 6:30 PM
HGMICS - 1615 East Elm Street, Scranton, PA 18505	10/15/2013 6:30 PM
HGMICS - 1615 East Elm Street, Scranton, PA 18505	11/19/2013 6:30 PM
HGMICS - 1615 East Elm Street, Scranton, PA 18505	1/30/2014 6:30 PM
HGMICS - 1615 East Elm Street, Scranton, PA 18505	2/18/2014 6:30 PM
HGMICS - 1615 East Elm Street, Scranton, PA 18505	3/18/2014 6:30 PM
HGMICS - 1615 East Elm Street, Scranton, PA 18505	4/16/2014 6:30 PM
HGMICS - 1615 East Elm Street, Scranton, PA 18505	5/20/2014 6:30 PM
HGMICS - 1615 East Elm Street, Scranton, PA 18505	6/17/2014 6:30 PM
HGMICS - 1615 East Elm Street, Scranton, PA 18505	6/24/2014 6:30 PM
HGMICS - 1615 East Elm Street, Scranton, PA 18505	8/19/2014 6:30 PM
HGMICS - 1615 East Elm Street, Scranton, PA 18505	9/16/2014 6:30 PM
HGMICS - 1615 East Elm Street, Scranton, PA 18505	10/14/2014 6:30 PM
HGMICS - 1615 East Elm Street, Scranton, PA 18505	11/18/2014 6:30 PM
HGMICS - 1615 East Elm Street, Scranton, PA 18505	12/16/2014 6:30 PM
HGMICS - 1615 East Elm Street, Scranton, PA 18505	1/20/2015 6:30 PM
HGMICS - 1615 East Elm Street, Scranton, PA 18505	2/17/2015 6:30 PM
HGMICS - 1615 East Elm Street, Scranton, PA 18505	3/17/2015 6:30 PM
HGMICS - 1615 East Elm Street, Scranton, PA 18505	4/21/2015 6:30 PM
HGMICS - 1615 East Elm Street, Scranton, PA 18505	5/19/2015 6:30 PM

Professional Staff Member Roster

Maria Rozaieski	
PA Certified	Yes
Areas of Certification	Elementary Education

Grades Teaching or Serving	7/8
All Areas of Assignment, Subject Areas Teaching, or Services Provided	all
Number of Hours Annually Worked in Assignment	1260
Percentage of Time in Certified Position	0.0
Percentage of Time in Areas Not Certified	100.0

Kelley Roma	
PA Certified	Yes
Areas of Certification	Elementary Education, reading specialist
Grades Teaching or Serving	7/8
All Areas of Assignment, Subject Areas Teaching, or Services Provided	reading
Number of Hours Annually Worked in Assignment	1260
Percentage of Time in Certified Position	100.0
Percentage of Time in Areas Not Certified	100.0

Celli Shana	
PA Certified	Yes
Areas of Certification	elementary ed, ELA, spec ed
Grades Teaching or Serving	5/6
All Areas of Assignment, Subject Areas Teaching, or Services Provided	ELA
Number of Hours Annually Worked in Assignment	1230
Percentage of Time in Certified Position	100.0
Percentage of Time in Areas Not Certified	100.0

Amy Barbine	
PA Certified	Yes
Areas of Certification	Elementary Education
Grades Teaching or Serving	1/2
All Areas of Assignment, Subject Areas Teaching, or Services Provided	all
Number of Hours Annually Worked in Assignment	1260
Percentage of Time in Certified Position	100.0
Percentage of Time in Areas Not Certified	100.0

Sandercok Mary	
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PA Certified	Yes
Areas of Certification	early childhood, home economics
Grades Teaching or Serving	Pre-K, K
All Areas of Assignment, Subject Areas Teaching, or Services Provided	all
Number of Hours Annually Worked in Assignment	1260
Percentage of Time in Certified Position	100.0
Percentage of Time in Areas Not Certified	100.0

Paula Regan	
PA Certified	Yes
Areas of Certification	Elementary Education
Grades Teaching or Serving	5/6
All Areas of Assignment, Subject Areas Teaching, or Services Provided	all
Number of Hours Annually Worked in Assignment	1260
Percentage of Time in Certified Position	100.0
Percentage of Time in Areas Not Certified	100.0

Sara Wintermute	
PA Certified	Yes
Areas of Certification	Elementary Education
Grades Teaching or Serving	Pre-K, Kindergarten
All Areas of Assignment, Subject Areas Teaching, or Services Provided	all
Number of Hours Annually Worked in Assignment	1260
Percentage of Time in Certified Position	100.0
Percentage of Time in Areas Not Certified	100.0

Christine Ives	
PA Certified	Yes
Areas of Certification	all
Grades Teaching or Serving	1/2
All Areas of Assignment, Subject Areas Teaching, or Services Provided	all
Number of Hours Annually Worked in Assignment	1260
Percentage of Time in Certified Position	100.0
Percentage of Time in Areas Not Certified	100.0

Megan Wolfe	
PA Certified	Yes
Areas of Certification	Elementary Education
Grades Teaching or Serving	K - 8
All Areas of Assignment, Subject Areas Teaching, or Services Provided	science
Number of Hours Annually Worked in Assignment	1260
Percentage of Time in Certified Position	100.0
Percentage of Time in Areas Not Certified	100.0

Jennifer Kochis	
PA Certified	Yes
Areas of Certification	elementary ed, spec ed
Grades Teaching or Serving	3/4
All Areas of Assignment, Subject Areas Teaching, or Services Provided	all
Number of Hours Annually Worked in Assignment	1260
Percentage of Time in Certified Position	100.0
Percentage of Time in Areas Not Certified	100.0

Ross Patane	
PA Certified	Yes
Areas of Certification	elementay ed
Grades Teaching or Serving	1/2
All Areas of Assignment, Subject Areas Teaching, or Services Provided	all
Number of Hours Annually Worked in Assignment	1260
Percentage of Time in Certified Position	100.0
Percentage of Time in Areas Not Certified	100.0

Laila Kane	
PA Certified	Yes
Areas of Certification	elementary ed, early childhood
Grades Teaching or Serving	Pre-K, Kindergarten
All Areas of Assignment, Subject Areas Teaching, or Services Provided	all
Number of Hours Annually Worked in Assignment	1260
Percentage of Time in Certified Position	100.0
Percentage of Time in Areas Not Certified	100.0

Stephani Allan	
PA Certified	Yes
Areas of Certification	Elementary Education
Grades Teaching or Serving	3/4
All Areas of Assignment, Subject Areas Teaching, or Services Provided	all
Number of Hours Annually Worked in Assignment	1260
Percentage of Time in Certified Position	100.0
Percentage of Time in Areas Not Certified	100.0

Emily Johnson	
PA Certified	Yes
Areas of Certification	Special Ed N - 12
Grades Teaching or Serving	K - 8
All Areas of Assignment, Subject Areas Teaching, or Services Provided	spec ed
Number of Hours Annually Worked in Assignment	1260
Percentage of Time in Certified Position	1.0
Percentage of Time in Areas Not Certified	1.0

Jade Volchoff	
PA Certified	Yes
Areas of Certification	School Counselor K - 12
Grades Teaching or Serving	K - 8
All Areas of Assignment, Subject Areas Teaching, or Services Provided	counseling
Number of Hours Annually Worked in Assignment	1260
Percentage of Time in Certified Position	100.0
Percentage of Time in Areas Not Certified	100.0

Jeraldine Hubbard	
PA Certified	Yes
Areas of Certification	Elementary Education
Grades Teaching or Serving	K - 6
All Areas of Assignment, Subject Areas Teaching, or Services Provided	reaking
Number of Hours Annually Worked in Assignment	1260
Percentage of Time in Certified Position	100.0
Percentage of Time in Areas Not Certified	100.0

Kobierecki Pamela	
PA Certified	Yes
Areas of Certification	Language, Spanish K - 12
Grades Teaching or Serving	3 - 8
All Areas of Assignment, Subject Areas Teaching, or Services Provided	spanish
Number of Hours Annually Worked in Assignment	540
Percentage of Time in Certified Position	100.0
Percentage of Time in Areas Not Certified	100.0

Steve Kurilla	
PA Certified	Yes
Areas of Certification	Music education
Grades Teaching or Serving	Pre - K - 8
All Areas of Assignment, Subject Areas Teaching, or Services Provided	music
Number of Hours Annually Worked in Assignment	1260
Percentage of Time in Certified Position	100.0
Percentage of Time in Areas Not Certified	100.0

Andrea Flaherty	
PA Certified	Yes
Areas of Certification	Art Education
Grades Teaching or Serving	Pre - K
All Areas of Assignment, Subject Areas Teaching, or Services Provided	art
Number of Hours Annually Worked in Assignment	1260
Percentage of Time in Certified Position	100.0
Percentage of Time in Areas Not Certified	100.0

Herman Little	
PA Certified	No
Areas of Certification	none
Grades Teaching or Serving	Pre-K - 8
All Areas of Assignment, Subject Areas Teaching, or Services Provided	gym
Number of Hours Annually Worked in Assignment	540
Percentage of Time in Certified Position	0.0

Percentage of Time in Areas Not Certified	100.0
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The professional staff member roster as recorded originally on the PDE-414 form

No file has been uploaded.

Quality of Teaching and Other Staff

Position Categories	All Employed per Category	Appropriately Certified	Promoted	Transferred	Terminated	Contracted for Following Year
Chief Academic Officer/Director	1.00	1.00				1.00
Principal						
Assistant Principal						
Classroom Teacher (including Master Teachers)	11.00	10.00			2.00	15.00
Specialty Teacher (including Master Teachers)	5.00	4.00				5.00
Special Education Teacher (including Master Teachers)	1.00	1.00				1.00
Special Education Coordinator						
Counselor	1.00	1.00				1.00
Psychologist						
School Nurse	1.00	1.00				1.00
Totals	20.00	18.00	0	0	2.00	24.00

Further explanation:

Our CAO/Director also holds the position of Principal with all the appropriate certifications.

Fiscal Matters

Major Fundraising Activities

Major fundraising activities performed this year and planned for next year:

Howard Gardner MI Charter School engaged in only one major fundraising activity during the 2013-2014 school year; it's Annual Golf Tournament. The Annual Golf Tournament, now in its 9th year, is a continuation of the fundraising event started by the Charter School's predecessor, the private Howard Gardner School for Discovery

Held each year at Pine Hill Country Club, the tournament includes sponsorships from numerous local business, families, and individuals which include both monetary donations and item donations (items to be used as prizes and "goody bag" inclusions). Golfers are able to register singly or in foursomes at a per-person rate that includes both 18 holes of golf and a seat at the dinner banquet that follows

In addition, HGMICS sells 50/50 raffle tickets to both golfers and non-golfers. Fifty percent of the total raffle ticket sales go to the winner of the raffle and the other fifty percent goes directly to the school

Funds raised by the school have traditionally been used to support programming activities.

Based on the continued success of the Annual Golf Tournament, we anticipated that we will continue to hold this event next year, and in the future. Furthermore, HGMICS is utilizing a combination of a consultant and parent/community committee to plan and direct a capital campaign in order to raise additional funds for the school.

Fiscal Solvency Policies

Changes to policies and procedures to ensure and monitor fiscal solvency:

Howard Gardner MI Charter School receives the vast majority of its income through tuition payments from the home school districts and/or subsidy deductions issued by PDE. School Districts who pay according to the regulations are billed each month prior to the 25th, and are provided with a PDE invoice and student list. Districts who refuse to directly pay invoices are provided with a copy of the PDE invoice and student list for their records, and a subsidy deduction is submitted to PDE against their district. Subsidy deductions to PDE are likewise submitted by the 25th of each month and meet the Bureau of Budget & Fiscal Management's requirements. Following this procedure ensures a the timely payment of monthly invoices, in compliance with PDE policies, and provides adequate cash flow for HGMICS. Additional funding comes from parent-paid tuition for Pre-Kindergarten students whose home school districts do

not operate a pre-k program of their own, and are therefore not responsible for making payments to HGMICS.

Oversight of billing and accounting procedures belongs to the Business & IT Manager, who handles all day-to-day fiscal operations. The Business & IT Manager also works closely with the Finance Committee, which is comprised of two members of the Board of Directors. The Finance Committee receives regular reports on the school's fiscal status and approves the twice-monthly payment of bills. Yearly budgets are generated by the Business & IT Manager, in conjunction with the CEO, and are presented to the Finance Committee for review and, ultimately, to the Board of Directors for approval.

Fiscal reports are provided by the Finance Committee and Business & IT Manager at each of the monthly board meetings. Balance and Profit & Loss reports are provided to the Board of Directors and discussion of fiscal activities is encouraged.

Following HGMICS' first year of operation, an audit was completed by local accounting firm of McGrail Merkel Quinn & Associates, who found no issues with the schools finances or procedures.

Fiscal Solvency Policies

Charter School documents that describe policies and procedures that have been established to ensure and monitor fiscal solvency (optional if described in the narrative)

No files have been uploaded.

Accounting System

Changes to the accounting system the charter school uses:

Howard Gardner MI Charter School's Business Department utilizes QuickBooks as a general-purpose accounting system capable of performing necessary profit/loss tracking, balance sheets, AR/AP functions, and reporting. The school's QuickBooks has been setup such that its chart of accounts is aligned with the state standards for school budgets. HGMICS does not process its own payrolls, but instead contracts with ADP for all payroll and tax handling. Oversight of AR and AP functions is divided among the administrative staff so as to provide a system of checks and balances. Beginning in April 2014, a part-time accountant was hired to assist in these duties.

Preliminary Statements of Revenues, Expenditures & Fund Balances

The completed and CEO signed Fiscal Template – Preliminary Statements of Revenues, Expenditures & Fund Balances

XLS file uploaded.

Financial Audits

Basics

Audit Firm: McGrail Merkel Quinn & Associates
Date of Last Audit: 06/30/2013
Fiscal Year Last Audited: 2012-2013

Explanation of the Report

Detailed explanation of the report (if the previous year's report has been submitted.) Any audit report for a school year that precedes this annual report by more than 2 years is not acceptable and may be considered a material violation:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit and each major fund of the Howard Gardner Multiple Intelligence Charter School, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the index.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit and each major fund of the Howard Gardner Multiple Intelligence Charter School, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

FINANCIAL HIGHLIGHTS

- The School reported an ending governmental fund balance of (\$ 12,121) and a deficit in the amount of (\$12,121) for the year ended June 30, 2013.
- The purchase of a new property and facility for the School in the amount of \$1,643,564.

The results of this year's operations as a whole are reported in the Statement of Activities. All expenses are reported in the first column. Specific charges, grants, revenues, and subsidies that directly relate to specific expense categories are represented to determine the final amount of the School's activities that are supported by other general revenues. The largest general revenues are the Basic Education Subsidy provided by the local school districts.

GENERAL FUND BUDGETARY HIGHLIGHTS

The School prepares a budget each year for its General Fund according to Pennsylvania law. The budget complied with all applicable state laws and financial policies approved by the School Board Directors.

As this was the School's first year of operation, the budget was created using a wide range of information. Without any previous data from the School, the expenses and revenues listed within the budget contained significant estimates, resulting in the fluctuations noted.

The General Fund's final approved budget for the fiscal year ended June 30, 2013 included \$1,981,413 of revenues and \$1,481,797 of expenditures. The final actual revenues received for the fiscal year ended June 30, 2013 were approximately \$404,000 below the budget. The final actual expenditures for the fiscal year ended June 30, 2013 amounted to \$3,019,896. The variation in revenue was primarily due to this being the School's first year of operations and the budgeted amounts were based on estimates, as discussed above. The primary cause of the expenditure difference was the purchase of the new Elm Street property and facility for \$1.6 million at the end of the fiscal year.

APITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the School had \$1,736,289 invested in capital assets, which include buildings, furniture, and equipment.

The School had capital outlays in the amount of \$1,745,861 for the year ended June 30, 2013. The capital outlays included expenditures for the new property and facility on East Elm Street in the amount of \$1,643,564. The remainder includes classroom upgrades such as SMARTBoards and mobile computer labs, as part of the School's technology and modernization initiative.

Additional information on the School's capital assets can be found in Note 4 of this report.

The School has a mortgage payable in the amount of 1,280,000 (See Note 5).

ECONOMIC CONDITION AND OUTLOOK

The School's move to East Elm Street allowed it to open with an additional classroom for the 2013-2014 school year, bringing its enrollment from the 2012-2013 level of 156 students to a new maximum of approximately 190 students.

For the 2014-2015 school year, the School will open an additional Upper classroom, adding another 20 students to its population, followed by the opening of an additional Senior classroom

for the 2015-2016 school year, at which point the School's facility will reach capacity at approximately 230 students in grades Pre-Kindergarten through 8th.

The general fund balance at June 30, 2013 was (\$12,121). The School will incur increases in healthcare, salaries/wages, retirement contributions and facility improvements in the future. The opening of each additional classroom will specifically require the purchase of furniture, equipment, and technology, as well as the hiring of a classroom teacher and classroom aide.

Financial Audit Report

The Financial Audit Report, which should include the auditor's opinion and any findings resulting from the audit

PDF file uploaded.

Citations

Financial audit citations and the corresponding Charter School responses

Description	Response
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Federal Programs Consolidated Review

Basics

Title I Status:

Date of Last Federal
Programs Consolidated
Review:

School Year Reviewed:

Federal Programs Consolidated Review Report

The Federal Programs Consolidated Review Report, which should include the Division's opinion and any findings resulting from the audit

No file has been uploaded.

Citations

Federal Programs Consolidated Review citations and the corresponding Charter School responses

Description	Response
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Special Education

Chapter 711 Assurances

The LEA agrees to comply with all requirements of Special Education outlined in 22 PA Code Chapter 711 and other state and federal mandates. These include:

Implementation of a full range of services, programs and alternative placements available to the Charter School for placement and implementation of the special education programs in the Charter School.

Implementation of a child find system to locate, identify and evaluate young children and children who are thought to be a child with a disability eligible for special education residing within the Charter School's jurisdiction. Child find data is collected, maintained and used in decision-making. Child find process and procedures are evaluated for their effectiveness. The Charter School implements mechanisms to disseminate child find information to the public, organizations, agencies and individuals on at least an annual basis.

Assurances of students with disabilities are included in general education programs and extracurricular and non-academic programs and activities to the maximum extent appropriate in accordance with an Individualized Education Program.

Following the state and federal guidelines for participation of students with disabilities in state and Charter School-wide assessments including the determination of participation, the need for accommodations and the methods of assessing students for whom regular assessment is not appropriate.

Assurance of funds received through participation in the medical assistance reimbursement program, ACCESS, will be used to enhance or expand the current level of services and programs provided to students with disabilities in this local education agency.

Special Education Support Services

Support Service	Location	Teacher FTE
Special Education Teacher	HGMICS - 1615 East Elm Street, Scranton, PA 18505	1

Special Education Contracted Services

Title	Amt. of Time per Week	Operator	Number of Students
Orientation & Mobility Specialist	1 Days	Intermediate Unit	10 or fewer
School Psychologist	2 Days	Outside Contractor	10 or fewer
Speech Therapist	1 Days	Intermediate Unit	10 or fewer

Teacher of the Visually Impaired	1 Days	Intermediate Unit	10 or fewer
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Special Education Cyclical Monitoring

Date of Last Special Education Cyclical Monitoring:

Not Provided

Link to Report (Optional):

Not Provided

Special Education Cyclical Monitoring Report

The Special Education Cyclical Monitoring Report, which should include the Bureau's findings

No file has been uploaded.

Facilities

Fixed assets acquired by the Charter School during the past fiscal year

Fixed assets acquired by the Charter School during the past fiscal year:

In late June 2013, HGMICS purchased a new facility located on East Mountain in Scranton. Renovations were completed during summer 2013 in preparation for the school year.

Renovations and purchases of other fixed assets include:

- A new subfloor and vinyl flooring were installed in the Science Cottage, to replace the previous plywood floor which was deemed incompatible with the room's new use.
- New carpeting was installed in the Business & IT Office and Pre-Primary classrooms.
- Interior classroom windows were replaced with new plexiglass.
- The broken exterior window in the Extended Day center was replaced.
- Building-wide fire alarm system was replaced.
- Phone & video surveillance systems were installed in the Elm St. property
- A color laser printer and two b&w laser printers were purchased for administrative use
- A maglock door entry & security system was installed on the front door of the Elm St building.
- 3x Lenovo laptops were purchased for use with SmartBoards in classrooms.
- 8x All-in-one computers, deployed two-each across four classrooms and dedicated to student use.
- 3x SmartBoard systems for classroom use, resulting in a SmartBoard being present in every classroom in grades 1-8.
- 3x Google Chromebooks, beginning with a demo unit for testing purposes and supplemented by two additional units, as a beginning to the school's transition to Chromebooks as a more viable alternative to student laptop computers in a 1:1 ratio.
- UPS backup unit and multiple surge protectors were purchased for the protection of the school's network and computing equipment.
- Toro riding lawn mower for use by the Maintenance Department

The total Charter School expenditures for fixed assets during the identified fiscal year:

\$34,301.79

Facility Plans and Other Capital Needs

The Charter School's plan for future facility development and the rationale for the various components of the plan:

Now located at 1615 East Elm Street in Scranton's East Mountain neighborhood, the new location is an ideal setting for HGMICS and its students, allowing a stronger integration of the Multiple Intelligences theory within an expanded school setting with access to additional resources. At this larger facility, the school will equip two additional classrooms for the 2014-2015 school year, and will in two years reach its final capacity of approximately 240 students in grades Pre-Kindergarten through 8.

The new facility also grants individual space to the school Arts & Humanities (Art, Music, Spanish, & Mandarin Chinese) and Science programs. Physical Education classes have access to an on-site gymnasium, which also serves as the school's cafeteria and multi-purpose room. The proximity to Robinson Park and Lake Scranton also provide students with year-round opportunities to learn through hands-on experiences with the natural environment. Having sold its previous property on School Street in Scranton, HGMICS is currently seeking buyers for the lower section of its East Mountain property, which contains unneeded residential units. This property will be sold as soon as a suitable buyers are engaged, thereby reducing costs and overhead to HGMICS. Due to the purchase of the East Mtn facility, HGMICS has no further foreseeable plans for expansion or growth beyond this facility.

Memorandums of Understanding

Organization	Purpose
ADP Payroll Services	HGMICS contracts with ADP Payroll Services to provide and oversee all matters relating to employee payrolls.
Associated Insurance Company of PA, Inc	HGMICS contracts with Associated Insurance Company of PA, Inc, who acts as an agent for the school in securing, maintaining, and renewing all insurance policies.
Bulldog Maintenance Company Inc.	HGMICS contracts with Bulldog Maintenance Company Inc. to provide janitorial services for the East Mtn property, including summer and school-year cleaning services.
First Priority Health	HGMICS contracts with First Priority Health to provide employee health benefits.
Guardian	HGMICS contracts with Guardian to provide employee dental, life, and vision insurance.
Keystone Business Products Inc.	HGMICS contracts with Keystone Business Products Inc. for yearly copier maintenance & service agreements.
Keystone Control Corp.	HGMICS contracts with Keystone Control Corp. for yearly service, maintenance, and repair of the school's integrated HVAC and boiler systems.
Leader Services	HGMICS contracts with Leader Services for a yearly subscription to the

	IEP Writer software.
McGrail Merkel Quinn & Associates	HGMICS contracts with local accounting firm MMQ for its yearly financial audit and 990 tax filings.
NEIU 19	HGMICS maintains a contract with NEIU 19 for Special Education services, specifically Speech & Language support, on a yearly basis. During the 2014-2015 school year, HGMICS will also contract a curriculum specialist from NEIU 19.
Oliver Price & Rhodes	HGMICS contracts on a yearly basis with the attorneys Oliver Price & Rhodes, who provide legal services for the school as needed.
Scranton Police Department	Per the Safe School's reporting requirements, HGMICS maintains a Memorandum of Understanding with the local police department which has jurisdiction. In the event of incidents requiring police intervention, the Scranton Police Department will be contacted to provide necessary services. As such, they will also review the yearly Safe Schools reports and sign off on them prior to their submission.
Sycamore Education	HGMICS contracts with Sycamore Education for its online student information system.
Triguard, Inc.	HGMICS maintains a yearly contract with Triguard, Inc. to provide security and fire monitoring for its East Mountain property.
University of Scranton	HGMICS contracts with the University of Scranton for the professional services of a Mandarin Chinese teacher on a two-year, 10-month-per-year engagement, in conjunction with the Taiwanese government.

Charter School Annual Report Affirmations

Charter Annual Report Affirmation

I verify that all information and records in this charter school annual report are complete and accurate.

The Chief Executive Officer and the Board of Trustee President of the charter school must sign this verification.

Affirmed by Thomas Speicher on 6/12/2014

President, Board of Trustees

Affirmed by Amy Kenton on 7/27/2014

Chief Executive Officer

Charter School Law Affirmation

Pennsylvania's first Charter School Law was Act 22 of 1997, 24 P.S. § 17-1701-A et seq., which primarily became effective June 19, 1997, and has subsequently been amended.

The Charter School Law provides for the powers, requirements, and establishment of charter schools. The Charter School Law was passed to provide opportunities to teachers, parents, pupils and community members to establish and maintain schools that operate independently from the existing school district structure as a method to accomplish all of the following: (1) improve pupil learning; (2) increase learning opportunities for all pupils; (3) encourage the use of different and innovative teaching methods; (4) create new professional opportunities for teachers; (5) provide parents and pupils with expanded choices in types of educational opportunities that are available within the public school system; and (6) hold charter schools accountable for meeting measurable academic standards and provide the school with a method to establish accountability systems.

The charter school assures that it will comply with the requirements of the Charter School Law and any provision of law from which the charter school has not been exempted, including Federal laws and regulations governing children with disabilities. The charter school also assures that it will comply with the policies, regulations and procedures of the Pennsylvania Department of Education (Department). Additional information about charter schools is available on the Pennsylvania Department's website at: <http://www.education.state.pa.us>.

The Chief Executive Officer and Board of Trustees President of the charter school must sign this assurance.

Affirmed by Thomas Speicher on 7/25/2014

President, Board of Trustees

Affirmed by Amy Kenton on 7/27/2014

Chief Executive Officer

Ethics Act Affirmation

Pennsylvania's current Public Official and Employee Ethics Act (Ethics Act), Act 93 of 1998, Chapter 11, 65 Pa.C.S. § 1101 et seq., became effective December 14, 1998 and has subsequently been amended.

The Ethics Act provides that public office is a public trust and that any effort to realize personal financial gain through public office other than compensation provided by law is a violation of that trust. The Ethics Act was passed to strengthen the faith and confidence of the people of Pennsylvania in their government. The Pennsylvania State Ethics Commission (Commission) administers and enforces the provisions of the Ethics Acts and provides guidance regarding its requirements.

The regulations of the Commission set forth the procedures applicable to all proceedings before the Commission as well as for the administration of the Statement of Financial Interests filing requirements. See 51 Pa. Code § 11.1 et seq.

The charter school assures that it will comply with the requirements of the Ethics Act and with the policies, regulations and procedures of the Commission. Additional information about the Ethics Act is available on the Commission's website at: <http://www.ethics.state.pa.us>.

The Chief Executive Officer and Board of Trustees President of the charter school must sign this assurance.

Affirmed by Thomas Speicher on 7/25/2014

President, Board of Trustees

Affirmed by Amy Kenton on 7/27/2014

Chief Executive Officer

Preliminary Statement of Revenues, Expenditures & Fund Balances
Include ALL Funds
as of June 30, 2014

Name of School: HOWARD GARDNER MI CHARTER SCHOOL

Address of School: 1615 EAST ELM STREET, SCRANTON, PA 18505

CEO Signature _____

REVENUES

6000		REVENUE FROM LOCAL SOURCES	1,622,894.15
6500		EARNINGS ON INVESTMENTS	5.20
	6510	Interest on Investments and Interest-Bearing Checking Accounts	
	6520	Dividends on Investments	
	6530	Gains or Losses on Sale of Investments	
	6540	Earnings on Investments in Real Property	
	6590	Other Earnings or Investments	5.20
6600		FOOD SERVICE REVENUE	18,894.75
	6610	Daily Sales - Reimbursable Programs	
	6620	Daily Sales - Non-Reimbursable Programs	18,894.75
	6630	Special Functions	
	6640	Non-Cash Contributions	
	6650	Price Reduction for Reduced Price and Free Meals (Debit)	
	6690	Other Food Service Revenues	
6700		REVENUES FROM STUDENT ACTIVITIES	1,357.50
	6710	Admissions	
	6720	Bookstore Sales	
	6730	Student Organization Membership Dues and Fees	
	6740	Fees	
	6750	Student Activity - Special Events	1,357.50
	6790	Other Student Activity Income	
6800		REVENUES FROM INTERMEDIARY SOURCES / PASS THROUGH	1,566,673.16
	6810	Revenue from Local Governmental Units	1,566,673.16
	6820	Revenue from Intermediary Sources - Commonwealth Funds	
	6830	Revenues from Intermediary Sources - Federal Funds	
	6890	Other Revenues from Intermediary Sources	
6900		OTHER REVENUE FROM LOCAL SOURCES	188,584.97
	6910	Rentals	
	6920	Contributions & Donations from Private Sources / Capital Contributions	17,730.00
	6930	Gains or Losses on Sale of Fixed Assets (Economic Resource Measurement Focus Only)	
	6940	Tuition from Patrons	90,029.00
	6941	Regular Day School Tuition	
	6942	Summer School Tuition	
	6943	Adult Education Tuition	
	6944	Receipts From Other LEAs in Pennsylvania - Education	
	6945	Receipts from Out-of-State LEAs	
	6946	Receipts from Member Districts - AVTS / Special Program Jointure only	

	6947	Receipts from Members of Intermediate Units for Education by	
	6948	Receipts from Members of Intermediate Units for Direct Contributions	
	6949	Other Tuition from Patrons	90,029.00
	6950	Unassigned	
	6960	Services Provide Other Local Governmental Units / LEAs	
	6961	Transportation Services Provided Other Pennsylvania LEAs	
	6969	All Other Services Provided Other Governments and LEAs Not Specified Above	
	6970	Services Provided Other Funds	
	6980	Revenue from Community Service Activities	
	6990	Refunds and Other Miscellaneous Revenue	12,252.01
	6991	Refunds of a Prior Year Expenditure	
	6999	Other Revenues Not Specified Above	
7000		REVENUE FROM STATE SOURCES	233,459.59
7100		BASIC INSTRUCTIONAL AND OPERATING SUBSIDIES	
	7150	Unassigned	
	7160	Tuition for Orphans and Children Placed in Private Homes	
	7180	Staff and Program Development	
7200		REVENUE FOR SPECIFIC EDUCATIONAL PROGRAMS	
	7210	Homebound Instruction	
	7220	Vocational Education	
	7230	Alternative Education	
	7240	Driver Education - Student	
	7250	Migratory Children	
	7260	Workforce Investment Act (WIA)	
	7270	Specialized Education of Exceptional Pupils	
	7280	Adult Literacy	
	7290	Additional Educational Program Revenues	
7300		REVENUES FOR NON-EDUCATIONAL PROGRAMS	2,942.72
	7310	Transportation (Regular and Additional)	
	7320	Rental and Sinking Fund Payments / Building Reimbursement Subsidy	
	7330	Health Services (Medical, Dental, Nurse, Act 25)	2,942.72
	7340	Unassigned	
	7350	Sewage Treatment Operations / Environmental Subsidies	
	7360	Safe Schools	
7400		VOCATIONAL TRAINING OF THE UNEMPLOYED	
7500		STATE REVENUE NOT LISTED ELSEWHERE IN THE 7000 SERIES OF ACCOUNTS	4,791.00
	7502	Dual Enrollment Grants	
	7503	Project 720/High School Reform	
	7599	Other State Revenue Not Listed Elsewhere in the 7000 Series	4,791.00
7600		REVENUE FOR MILK, LUNCH AND BREAKFAST PROGRAMS	
7800		REVENUE FOR THE COMMONWEALTH'S SHARE OF PAID BENEFITS	73,104.44
	7810	State Share of Social Security and Medicare Taxes	
	7820	State Share of Retirement Contributions	73,104.44
7900		REVENUE FOR TECHNOLOGY	
	7910	Educational Technology	
	7990	Other Technology Grants	

8000			REVENUE FROM FEDERAL SOURCES	43,233.91
8100			UNRESTRICTED GRANTS-IN-AID DIRECT FROM THE FEDERAL GOVERNMENT	
	8110		Payments for Federally Impacted Areas - P.L. 81-874	
	8190		Other Unrestricted Federal Grants-in-Aid Direct from the Federal Government	
8200			UNRESTRICTED GRANTS-IN-AID FROM THE FEDERAL GOVERNMENT THROUGH THE COMMONWEALTH	
8300			RESTRICTED GRANTS-IN-AID DIRECTLY FROM THE FEDERAL GOVERNMENT	
	8310		Payments for Federally Impacted Areas - P.L. 81-815	
	8320		Energy Conservation Grants - TA and ECM	
	8390		Other Restricted Federal Grants-in-Aid Directly from the Federal Government	
8500			RESTRICTED GRANTS-IN-AID FROM THE FEDERAL GOVERNMENT THROUGH THE COMMONWEALTH FOR THE INDIVIDUALS WITH DISABILITIES EDUCATION ACT (IDEA), NO CHILD LEFT BEHIND (NCLB), VOCATIONAL EDUCATION, CHILD NUTRITION AND CAREER EDUCATION PROGRAMS	
	8510		Individuals with Disabilities Education Act (IDEA) and No Child Left Behind (NCLB)	
	8520		Vocational Education	
	8530		Child Nutrition Program	
	8540		Nutrition Education and Training	
	8560		Federal Block Grants	
	8570		Unassigned	
	8580		Child Care and Development Block Grants	
	8590		Unassigned	
8600			RESTRICTED GRANTS-IN-AID FROM THE FEDERAL GOVERNMENT THROUGH THE COMMONWEALTH FOR DRIVER EDUCATION, ADULT EDUCATION, CETA, HEADSTART, ENERGY CONSERVATION, WORKFORCE INVESTMENT ACT AND OTHER PROGRAMS	
	8610		Homeless Assistance Act	
	8620		Adult Basic Education	
	8640		Headstart	
	8650		Unassigned	
	8660		Workforce Investment Act (WIA)	
	8670		Unassigned	
	8680		Unassigned	
	8690		Other Restricted Federal Grants-in-Aid through the Commonwealth	
8800			MEDICAL ASSISTANCE REIMBURSEMENTS	
9000			OTHER FINANCING SOURCES	0.00
9100			SALE OF BONDS	
	9110		Bond Issue Proceeds (Gross)	
	9120		Proceeds from Refunding of Bonds	
9200			PROCEEDS FROM EXTENDED TERM FINANCING	
9300			INTERFUND TRANSFERS	
	9310		General Fund Transfers	

	9320	Special Revenue Fund Transfers	
	9330	Capital Projects Funds Transfers	
	9340	Debt Service Fund Transfers	
	9350	Enterprise Fund Transfers	
	9360	Internal Service Fund Transfers	
	9370	Trust and Agency Fund	
	9380	Activity Fund Transfers	
	9390	Permanent Fund Transfers	
9400		SALE OF OR COMPENSATION FOR LOSS OF FIXED ASSETS	-33,776.95
9500		Unassigned	
9600		Unassigned	
9700		TRANSFERS INVOLVING COMPONENT UNITS AND PRIMARY GOVERNMENTS	
	9710	Transfers from Component Units	
	9720	Transfers from Primary Governments	
9800		INTRAFUND TRANSFERS IN	
	9810	General Fund Intrafund Transfers	
	9820	Special Revenue Intrafund Transfers	
	9840	Debt Service Intrafund Transfers	
	9850	Enterprise Intrafund Transfers	
	9860	Internal Service Intrafund Transfers	
	9870	Trust and Agency Intrafund Transfers	
	9880	Activity Interfund Transfers	
TOTAL REVENUES			1,865,805.50

HOWARD GARDNER MULTIPLE INTELLIGENCE

CHARTER SCHOOL

FINANCIAL STATEMENTS

JUNE 30, 2013

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McGrail Merkel Quinn & Associates, P.C.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Francis J. Merkel, CPA
Joseph J. Quinn, CPA/ABV, CVA
Daniel J. Gerrity, CPA
Mary Ann E. Novak, CPA

Independent Auditor's Report

To the Board of Directors
Howard Gardner Multiple Intelligence
Charter School
Scranton, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit and each major fund of the Howard Gardner Multiple Intelligence Charter School, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the index.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

To the Board of Directors
Howard Gardner Multiple Intelligence
Charter School

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit and each major fund of the Howard Gardner Multiple Intelligence Charter School, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual, as identified in the index, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2013 on our consideration of the Howard Gardner Multiple Intelligence Charter School's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Howard Gardner Multiple Intelligence Charter School's internal control over financial reporting and compliance.

Mc Nail, Markel, Dwin
+ Associates, P.C.

Scranton, Pennsylvania
December 17, 2013

HOWARD GARDNER MULTIPLE INTELLIGENCE CHARTER SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of Howard Gardner Multiple Intelligence Charter School's financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the School's financial performance as a whole. Readers are encouraged to review the financial statements and notes to the financial statements to enhance their understanding of the School's financial performance.

FINANCIAL HIGHLIGHTS

- The School reported an ending governmental fund balance of (\$ 12,121) and a deficit in the amount of (\$12,121) for the year ended June 30, 2013.
- The purchase of a new property and facility for the School in the amount of \$1,643,564.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis serves as an introduction to the School's basic financial statements, which include government-wide financial statements, fund financial statements and notes to the financial statements. This report also contains required supplemental information, supplemental information, and other information.

The first two segments are government-wide financial statements – the Statement of Net Position and the Statement of Activities. These statements provide both long-term and short-term information about the School's overall financial status.

The remaining statements are fund financial statements that focus on the individual parts of the School's operations in more detail than the government-wide statements. The governmental funds statements tell how general School services were financed in the short term as well as what remains for future spending. Proprietary fund statements offer short- and long-term financial information about the activities that the School operates like a business. These activities are recorded in the Food Service Fund.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Government-Wide Financial Statements

The government-wide statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the School's net position and how they have changed. Net position, the difference between the School's assets and liabilities, is one way to measure the School's financial health or position.

Over time, increases or decreases in the School's net position are an indication of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the School, you need to consider additional non-financial factors, such as the performance of students and educational services provided.

The government-wide financial statements of the School are divided into two categories:

- Governmental activities – All of the School's basic services are included here, such as instruction, administration and community services. School district subsidies primarily finance most of these activities.
- Business-type activities – The School operates a food service operation and charges a fee to staff, students and visitors to help cover the costs of the food service operation.

Fund Financial Statements

The School's fund financial statements provide detailed information about the most significant funds – not the School as a whole.

Governmental Funds

Most of the School's activities are reported in the governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The Governmental fund statements provide a detailed short-term view of the School's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Fund Financial Statements – (Continued)

Proprietary Funds

These funds are used to account for the School's activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding is through user charges. When the School charges customers for services it provides – whether to outside customers or to other units in the School – these services are generally reported in proprietary funds. The Food Service Fund is the School's proprietary fund and is the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The year ended June 30, 2013 was the first year of operations for the charter school.

	<u>Governmental Activities</u> <u>06/30/13</u>	<u>Business-Type Activities</u> <u>06/30/13</u>	<u>Total</u> <u>06/30/13</u>
Current assets	\$ 147,001	\$ (13,395)	\$ 133,606
Non-current assets	1,736,289	-	1,736,289
Total assets	<u>\$ 1,883,290</u>	<u>\$ (13,395)</u>	<u>\$ 1,869,895</u>
Current liabilities	\$ 182,787	\$ -	\$ 182,787
Non-current liabilities	1,404,699	-	1,404,699
Deferred inflows	22,450	-	22,450
Total liabilities	<u>\$ 1,609,936</u>	<u>\$ -</u>	<u>\$ 1,609,936</u>
Net Position			
Investment in Capital			
Assets, net of related debt	\$ 456,289	\$ -	\$ 456,289
Unrestricted	(182,935)	(13,395)	(196,330)
Total net position	<u>\$ 273,354</u>	<u>\$ (13,395)</u>	<u>\$ 259,959</u>

Net position may serve over time as a useful indicator of the School's financial position. Capital assets (land, building, and equipment) less any debt issued to acquire these assets comprise a significant portion of the School's net position, \$456,289.

The results of this year's operations as a whole are reported in the Statement of Activities. All expenses are reported in the first column. Specific charges, grants, revenues, and subsidies that directly relate to specific expense categories are represented to determine the final amount of the School's activities that are supported by other general revenues. The largest general revenues are the Basic Education Subsidy provided by the local school districts.

Fiscal Year ended June 30, 2013
Changes in Net Position

	Governmental Activities <u>06/30/13</u>	Business-Type Activities <u>06/30/13</u>	Total <u>06/30/13</u>
Revenues			
Charges for services	\$ 1,382,723	\$ 12,122	\$ 1,394,845
Operating grants and contributions	100,742	-	100,742
Capital grants and contributions	80,000	-	80,000
General revenues			
Grants, subsidies and contributions not restricted	13,090	-	13,090
Investment earnings	105	-	105
Total revenues	<u>1,576,660</u>	<u>12,122</u>	<u>1,588,782</u>
Expenses			
Instruction	782,911	-	782,911
Support services	487,264	-	487,264
Non-instructional services	23,559	25,517	49,076
Unallocated depreciation	9,572	-	9,572
Total expenses	<u>1,303,306</u>	<u>25,517</u>	<u>1,328,823</u>
Change in net assets	273,354	(13,395)	259,959
Net assets – beginning of year	-	-	-
Net assets – end of year	<u>\$ 273,354</u>	<u>\$ (13,395)</u>	<u>\$ 259,959</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

The School prepares a budget each year for its General Fund according to Pennsylvania law. The budget complied with all applicable state laws and financial policies approved by the School Board Directors.

As this was the School's first year of operation, the budget was created using a wide range of information. Without any previous data from the School, the expenses and revenues listed within the budget contained significant estimates, resulting in the fluctuations noted.

The General Fund's final approved budget for the fiscal year ended June 30, 2013 included \$1,981,413 of revenues and \$1,481,797 of expenditures. The final actual revenues received for the fiscal year ended June 30, 2013 were approximately \$404,000 below the budget. The final actual expenditures for the fiscal year ended June 30, 2013 amounted to \$3,019,896. The variation in revenue was primarily due to this being the School's first year of operations and the budgeted amounts were based on estimates, as discussed above. The primary cause of the expenditure difference was the purchase of the new Elm Street property and facility for \$1.6 million at the end of the fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the School had \$1,736,289 invested in capital assets, which include buildings, furniture, and equipment.

The School had capital outlays in the amount of \$1,745,861 for the year ended June 30, 2013. The capital outlays included expenditures for the new property and facility on East Elm Street in the amount of \$1,643,564. The remainder includes classroom upgrades such as SMARTBoards and mobile computer labs, as part of the School's technology and modernization initiative.

Additional information on the School's capital assets can be found in Note 4 of this report.

The School has a mortgage payable in the amount of 1,280,000 (See Note 5).

ECONOMIC CONDITION AND OUTLOOK

The School's move to East Elm Street allowed it to open with an additional classroom for the 2013-2014 school year, bringing its enrollment from the 2012-2013 level of 156 students to a new maximum of approximately 190 students.

For the 2014-2015 school year, the School will open an additional Upper classroom, adding another 20 students to its population, followed by the opening of an additional Senior classroom for the 2015-2016 school year, at which point the School's facility will reach capacity at approximately 230 students in grades Pre-Kindergarten through 8th.

The general fund balance at June 30, 2013 was (\$12,121). The School will incur increases in healthcare, salaries/wages, retirement contributions and facility improvements in the future. The opening of each additional classroom will specifically require the purchase of furniture, equipment, and technology, as well as the hiring of a classroom teacher and classroom aide.

REQUEST FOR INFORMATION

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Executive Officer, Howard Gardner Multiple Intelligence Charter School, 1615 East Elm Street, Scranton, Pennsylvania, 18505.

HOWARD GARDNER MULTIPLE INTELLIGENCE
CHARTER SCHOOL
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Cash and cash equivalents	\$ 8,366	\$ -	\$ 8,366
Local school districts receivable	98,094	-	98,094
Federal and state subsidy receivable	27,146	-	27,146
Due from other funds	13,395	(13,395)	-
Total current assets	147,001	(13,395)	133,606
<u>Capital assets</u>			
Assets not being depreciated	793,426	-	793,426
Other capital assets, net of depreciation	942,863	-	942,863
Total assets	1,883,290	(13,395)	1,869,895
<u>Liabilities and Deferred Inflows of Resources</u>			
<u>Current liabilities</u>			
Accounts payable	13,560	-	13,560
Accrued salaries and benefits	123,112	-	123,112
Current portion of mortgage payable	46,115	-	46,115
Total current liabilities	182,787	-	182,787
<u>Non-current liabilities</u>			
Long-term portion of mortgage payable	1,233,885	-	1,233,885
Accumulated compensated absences	19,699	-	19,699
Due to Howard Gardner School for Discovery	151,115	-	151,115
Total non-current liabilities	1,404,699	-	1,404,699
Total liabilities	1,587,486	-	1,587,486
<u>Deferred Inflows of Resources</u>			
Deferred amounts from tuition	22,450	-	22,450
Combined liabilities and deferred inflows of resources	1,609,936	-	1,609,936
<u>Net Position</u>			
Invested in capital assets, net of related debt	456,289	-	456,289
Unrestricted	(182,935)	(13,395)	(196,330)
Total net position	\$ 273,354	\$ (13,395)	\$ 259,959

The accompanying Notes are an integral part of these Financial Statements.

HOWARD GARDNER MULTIPLE INTELLIGENCE
CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities							
Instruction	\$ 782,911	\$ 1,382,723	\$ 31,953	\$ -	\$ 631,765	\$ -	\$ 631,765
Instruction student support	125,618	-	-	-	(125,618)	-	(125,618)
Administration & financial support services	292,437	-	29,873	-	(262,564)	-	(262,564)
Operation & maintenance of plant services	69,209	-	-	80,000	10,791	-	10,791
Depreciation-unallocated	9,572	-	-	-	(9,572)	-	(9,572)
Student activities	23,559	-	38,916	-	15,357	-	15,357
Total governmental activities	<u>1,303,306</u>	<u>1,382,723</u>	<u>100,742</u>	<u>80,000</u>	<u>260,159</u>	<u>-</u>	<u>260,159</u>
Business-type activities							
Food service	25,517	12,122	-	-	-	(13,395)	(13,395)
Total primary government	<u>\$ 1,328,823</u>	<u>\$ 1,394,845</u>	<u>\$ 100,742</u>	<u>\$ 80,000</u>	<u>260,159</u>	<u>(13,395)</u>	<u>246,764</u>
General revenues							
			Grants, subsidies, and contributions not restricted		13,090	-	13,090
			Investment earnings		105	-	105
			Total general revenues and transfers		<u>13,195</u>	<u>-</u>	<u>13,195</u>
			Change in net position		273,354	(13,395)	259,959
			Net position - beginning of year		-	-	-
			Net position - end of year		<u>\$ 273,354</u>	<u>\$ (13,395)</u>	<u>\$ 259,959</u>

The accompanying Notes are an integral part of these Financial Statements.

HOWARD GARDNER MULTIPLE INTELLIGENCE
CHARTER SCHOOL
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	<u>General Fund</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 8,366
Receivables:	
Local school districts receivable	98,094
Federal and state subsidies	27,146
Due from other funds	13,395
Total assets	\$ 147,001
 <u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>	
<u>Liabilities</u>	
Accounts payable	13,560
Accrued salaries and benefits	123,112
Total liabilities	136,672
 <u>Deferred inflows of resources</u>	
Deferred amounts from tuition	22,450
Combined liabilities and deferred inflows of resources	159,122
 <u>Fund balances</u>	
Unassigned	(12,121)
Total liabilities, deferred inflows of resources and fund balances	\$ 147,001

The accompanying Notes are an integral part of these Financial Statements.

HOWARD GARDNER MULTIPLE INTELLIGENCE
CHARTER SCHOOL
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

Total governmental fund balances	\$ (12,121)
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Amounts reported for governmental activities in the Statement of Net Position are different because:

<p>Capital assets used in governmental funds are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets are \$1,745,861 and the accumulated depreciation is \$9,572.</p>	1,736,289
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Long-term liabilities, including the mortgage payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Mortgage payable	\$1,280,000	
Accumulated compensated absences	19,699	
Due to Howard Gardner School for Discovery	151,115	(1,450,814)

Net position for governmental activities	\$ 273,354
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The accompanying Notes are an integral part of these Financial Statements.

HOWARD GARDNER MULTIPLE INTELLIGENCE
CHARTER SCHOOL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>General Fund</u>
Revenues	
Local sources	\$ 1,514,729
State sources	29,873
Federal sources	31,953
Interest income	105
Total revenues	1,576,660
Expenditures	
Instruction	782,911
Support services	515,222
Operation of noninstructional services	23,559
Facilities acquisition, construction and improvement services	1,698,204
Total expenditures	3,019,896
Deficiency of revenues over expenditures	(1,443,236)
Other financing sources (uses)	
Proceeds from mortgage payable	1,280,000
Transfers in from Howard Gardner School for Discovery	151,115
Total other financing sources (uses)	1,431,115
Net change in fund balances	(12,121)
Fund balances - beginning of year	-
Fund balances - end of year	\$ (12,121)

The accompanying Notes are an integral part of these Financial Statements.

HOWARD GARDNER MULTIPLE INTELLIGENCE
CHARTER SCHOOL
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Net change in fund balances - governmental funds \$ (12,121)

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays during the current fiscal year.

Capital outlays	\$ 1,745,861	
Depreciation expense	<u>(9,572)</u>	1,736,289

In the statement of activities, certain operating expenses, compensated absences (sick days) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used or paid during the fiscal year. This amount represents the amount earned versus the amount used or paid during the year. (19,699)

The governmental funds report note proceeds as financing sources, while repayment of note principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. The net effect of these differences is as follows:

Proceeds from mortgage payable	(1,280,000)	
Transfer in from Howard Gardner School for Discovery	<u>(151,115)</u>	<u>(1,431,115)</u>
Change in net position of governmental activities		<u>\$ 273,354</u>

The accompanying Notes are an integral part of these Financial Statements.

HOWARD GARDNER MULTIPLE INTELLIGENCE
CHARTER SCHOOL
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
FOOD SERVICE
JUNE 30, 2013

Assets

None	\$ -
	<hr/>
Total assets	-
	<hr/>

Liabilities

Current liabilities	
Due to other funds	13,395
Total liabilities	<hr/> 13,395

Net position

Unrestricted	(13,395)
Total net position	<hr/> \$ (13,395) <hr/>

The accompanying Notes are an integral part of these Financial Statements.

HOWARD GARDNER MULTIPLE INTELLIGENCE
CHARTER SCHOOL
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOOD SERVICE
FOR THE YEAR ENDED JUNE 30, 2013

Operating revenues		
Food service revenue		\$ 12,122
Total operating revenues		<u>12,122</u>
Operating expenses		
Purchased property services		13,174
Food service employee expenses		<u>12,343</u>
Operating expenses		<u>25,517</u>
Operating loss		<u>(13,395)</u>
Non-operating revenues		
Federal sources		<u>-</u>
Total non-operating revenues		<u>-</u>
Change in net position		(13,395)
Net position - beginning of year		<u>-</u>
Net position - end of year		<u>\$ (13,395)</u>

The accompanying Notes are an integral part of these Financial Statements.

HOWARD GARDNER MULTIPLE INTELLIGENCE
CHARTER SCHOOL
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOOD SERVICE
FOR THE YEAR ENDED JUNE 30, 2013

Cash flows from operating activities	
Cash received from students and others	\$ 12,122
Payments to suppliers and employees	(12,122)
Net cash used by operating activities	-
Cash flows from non-capital financing activities	
Grants and subsidies received for non-operating activities	
Federal sources	-
Net cash provided by non-capital financing activities	-
Cash flows from capital and related financing activities	
None	-
Cash flows from investing activities	
None	-
Net increase in cash and cash equivalents	-
Cash and cash equivalents - beginning of year	-
Cash and cash equivalents - end of year	\$ -
Reconciliation of operating loss to net cash used by operating activities	
Operating loss	\$ (13,395)
Adjustments to reconcile operating loss to net cash used by operating activities	
Change in assets and liabilities	
Increase in due to other funds	13,395
Net cash used by operating activities	\$ -

The accompanying Notes are an integral part of these Financial Statements.

NOTES TO FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies

The Howard Gardner Multiple Intelligence Charter School (the School), located in Scranton, Pennsylvania, operates a charter school under approved charters received from the Scranton School District and the Abington Heights School District in accordance with Pennsylvania Act 22 of 1997. The mission of the School is to provide students from pre-kindergarten through eighth grade with individualized educational experiences consistent with Montessori principals.

The School is a non-profit organization and is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. The initial charter established April 18, 2012 was for a five year period ending June 30, 2017.

The accounting and reporting policies of the School conform to the accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments. The more significant accounting policies of the School are described below.

Reporting Entity

Consistent with guidance in Governmental Accounting Standards Board Statement No. 39, the criteria used by the School to evaluate the possible inclusion of related entities within its reporting entity are financial accountability and the nature and significance of the relationship. The School is financially accountable for organizations that make up the School's legal entity; legally separate organizations if School officials appoint a majority of the organization's governing body and the School is able to impose its will on the organization or if there is a potential for the organization to provide specific benefits to, or impose specific burdens on, the School; and organizations that are fiscally dependent on the School.

As defined, the Howard Gardner School for Discovery (HGSD) is a component unit of the Howard Gardner Multiple Intelligence Charter School and is considered a part of the reporting entity. HGSD is a legally separate non-profit organization that has advanced funds to the School for operating expenses without specified repayment terms. Also, the School used HGSD's building for its operations. The School appoints members to the HGSD's board of directors and can remove them at will. HGSD is reported in separate financial statements because of the difference in its reporting model. HGSD reports its financial results under Financial Accounting Standard Board Statements (FASB). Refer to Note 9 for condensed financial information.

Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. All the School's government-wide activities are considered governmental activities.

Note 1 – Summary of Significant Accounting Policies – (Continued)

Basis of Presentation – (Continued)

Government-Wide Financial Statements – (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include charges to customers who purchase, use or directly benefit from goods, services, or privileges provided by a given program and operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Intergovernmental payments and other items not properly included among program revenues are reported instead as general revenues.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are non-operating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are non-operating.

Fund Financial Statements

Separate financial statements are provided for governmental and proprietary funds. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. An emphasis is placed on major funds within the governmental and proprietary categories.

The funds of the financial reporting entity are as follows:

Governmental Fund Types

The General Fund is the general operating fund of the School and always is classified as a major fund. It accounts for all financial resources of the School, except those required to be accounted for in another fund.

Proprietary Fund Types

The Food Service Fund, an unbudgeted fund, is used to account for the operations of the school cafeteria that provides lunches to students for the purpose of making a profit. The Pennsylvania Department of Education has mandated that the Food Service Fund is always classified as a major fund.

Measurement Focus

On the government-wide financial statements, both governmental and business-type activities are presented using the economic resources measurement focus.

In the fund financial statements, the current financial resources measurement focus or the economic resources measurement focus is used as appropriate:

Note 1 – Summary of Significant Accounting Policies – (Continued)

Measurement Focus – (Continued)

All governmental funds utilize a current financial resources measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of spendable financial resources as their measure of available spendable financial resources at the end of the period.

The proprietary fund utilizes an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for capital lease obligations which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Fund Balance Reporting

The Governmental Accounting Standards Board has issued Statement No. 54, Fund Balance Reporting and Governmental Type Definitions (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below.

1. Non-spendable, such as fund balance associated with inventories, prepaids, long term loans and notes receivable and property held for resale.
2. Restricted fund balance category includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation,
3. Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action for the School Board of Directors,

Note 1 – Summary of Significant Accounting Policies – (Continued)

Fund Balance Reporting – (Continued)

4. Assigned fund balance classifications are intended to be used by the government for the specific purpose but do not meet the criteria to be classified as restricted or committed, and
5. Unassigned fund balance is the residual classification for the government’s general fund and includes all spendable amounts not contained in the other classifications.

Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. An annual budget is adopted for the General Fund.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposit accounts. For purposes of the statement of cash flows, the School considers cash in bank to be cash and cash equivalents in its proprietary fund.

Inter-fund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds”. Short-term inter-fund loans are reported as “inter-fund receivables and payables”. Long-term inter-fund loans (noncurrent portion) are reported as “advances from and to other funds”. Inter-fund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

Investment in Capital Assets

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide fund financial statements.

Government-wide Financial Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible fixed assets is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position, depreciation is provided over the assets estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

- | | |
|------------------------------|-------------|
| ▪ Buildings and Improvements | 15-39 years |
| ▪ Site Improvements | 15 years |
| ▪ Machinery and Equipment | 5-7 years |

Note 1 – Summary of Significant Accounting Policies – (Continued)

Investment in Capital Assets – (Continued)

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of a mortgage payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds are the same in the fund statements as it is in the government-wide statements.

Equity Classifications

Government-wide Financial Statements

Equity is classified as net position and displayed in three components:

Invested in capital assets, net of related debt consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any outstanding debt.

Restricted net position results when constraints placed on net position use are either imposed by external groups such as creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net assets that do not meet the definition of the two preceding categories. Unrestricted net positions often have constraints on resources imposed by management which can be removed or modified.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as assigned, unassigned, non-spendable, restricted and committed. Proprietary fund equity is classified the same as government-wide statements.

Note 1 – Summary of Significant Accounting Policies – (Continued)

Inter-fund Transfers

Permanent reallocations of resources between funds of the reporting entity are classified as inter-fund transfers. For the purposes of the Statement of Activities, all inter-fund transfers between individual governmental funds have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with 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.

Subsequent Events

The School has evaluated subsequent events through December 17, 2013, the date these financial statements were available to be issued, and concluded no events or transactions occurred during that period requiring recognition or disclosure.

Note 2 – Cash and Cash Equivalents

The Public School Code authorizes the School to invest in U.S. Treasury bills, short-term obligations of the U.S. Government or its agencies or instrumentalities, savings or time deposit accounts provided such deposits are insured or collateralized by obligations of the United States of America or the Commonwealth of Pennsylvania or their agencies or instrumentalities provided such deposits are backed by the full faith and credit of such entities.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the School's deposits may not be returned to it. The School does not have a deposit policy for custodial risk. As of June 30, 2013, none of the School's bank balance of \$8,366 was exposed to custodial risk.

Note 3 – Federal and State Subsidy Receivable (Deferral)

Federal and State Subsidy Receivable (Deferral) at June 30, 2013 consists of Federal and State sponsored subsidy programs in which the expenditure was made but the corresponding receipts were not received or the receipt was received and the corresponding expenditure was not made as of June 30, 2013.

	<u>Federal</u>	<u>State</u>	<u>Total</u>
<u>General Fund</u>			
Title I	\$ 18,331	\$ -	\$ 18,331
Title II	4,024	-	4,024
Rental reimbursement	-	4,791	4,791
Total Federal and State Subsidy Receivable	<u>\$ 22,355</u>	<u>\$ 4,791</u>	<u>\$ 27,146</u>

Note 4 – Capital Assets

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental Activities Capital assets, not being depreciated				
Land	\$ -	\$ 225,000	\$ -	\$ 225,000
Property held for sale	-	568,426	-	568,426
Total capital assets, not being depreciated	-	793,426	-	793,426
Capital assets, being depreciated				
Building and improvements	-	897,816	-	897,816
Furniture and equipment	-	54,619	-	54,619
Total capital assets, being depreciated	-	952,435	-	952,435
Less: Accumulated depreciation				
Building and improvements	-	(3,270)	-	(3,270)
Furniture and equipment	-	(6,302)	-	(6,302)
Total accumulated depreciation	-	(9,572)	-	(9,572)
Total capital assets being depreciated, net	-	942,863	-	942,863
Governmental Activities Capital Assets, net	\$ -	\$ 1,736,289	\$ -	\$ 1,736,289

Depreciation expense was charged to Governmental Activities as follows:

Unallocated	\$ 9,572
	<u>\$ 9,572</u>

Property held for sale is a portion of the East Mountain property that is currently being marketed for sale.

Note 5 – Long-Term Liabilities

Governmental Activities long-term liability balances and activity for the year ended June 30, 2013 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One year</u>
Mortgage payable	\$ -	\$ 1,280,000	\$ -	\$ 1,280,000	\$ 46,115
Compensated absences	-	19,699	-	19,699	-
Due to HGSD	-	151,115	-	151,115	-
	<u>\$ -</u>	<u>\$ 1,450,814</u>	<u>\$ -</u>	<u>\$ 1,450,814</u>	<u>\$ 46,115</u>

Note 5 – Long-Term Liabilities – (Continued)

The School has a mortgage payable to First National Community Bank for the acquisition of its East Mountain property. For the first ten years, the note is payable in monthly installments of \$7,358 with interest charged at 3.35% per annum. After that, the interest rate may be adjusted along with the monthly principal payment, and there is a floor of 3.25%. This note is set to mature in June, 2033 and is secured by the East Mountain property. The note is subject to a prepayment penalty.

The aggregate maturities of long-term debt are as follows:

<u>Year Ended June 30,:</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 46,115	\$ 42,176
2015	47,684	40,607
2016	49,306	38,985
2017	50,983	37,308
2018	52,717	35,574
2019-23	291,741	149,715
2024-28	340,712	94,013
2029-33	400,742	33,983
	<u>\$ 1,280,000</u>	<u>\$ 472,361</u>

Note 6 – Accumulated Compensated Absences

Future compensated absences offered by the School and their respective accounting policies are summarized below:

Vacation Leave

Professional administrators earn up to four weeks of vacation a year depending on years of service. All vacation earned must be taken annually and no carry-over is permitted; therefore, no liability is recorded in the financial statements.

Accumulated Sick Leave

All full-time employees receive ten sick days each year. Unused sick days are allowed to accumulate up to 100 days. Accumulated sick days paid or expected to be paid upon retirement during the current year are recorded as expenditures in the governmental fund that will pay it.

The provision for compensated absences reflected in the Non-current Liability section of the Statement of Net Position represents the total accumulated sick days unpaid as of June 30, 2013 based on the applicable per day rate.

Note 7 – Commitments and Contingencies

School Pension Plan

The School is a participant in the Public School Employees' Retirement System of Pennsylvania (PSERS) which is a governmental cost-sharing multiple-employer plan designed to provide retirement allowances and other benefits to members. The PSERS was established as of July 18, 1917, under the provisions of Pamphlet Law 1043, No. 343 and significant amendments were made in the 1975 revision of the Pennsylvania Public School Employees' Retirement Code. The PSERS issues a comprehensive annual financial report that includes financial statements and required supplementary information. Membership in the System is mandatory for substantially all full time public school employees in the Commonwealth, and contributions are made by the School, the employees and the Commonwealth. Effective July 1, 1995, the School will pay the Commonwealth's share of the contribution rate and will be reimbursed by the Commonwealth in an amount equal to the Commonwealth's share as determined by the income aid ratio.

Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one year of credited service; (b) age 60 with 30 or more years of service or; (c) 35 or more years of service regardless of age.

Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined) multiplied by the number of years credited service. In most cases after completion of five years of service, a member's right to the defined benefit is vested and early retirement benefits may be elected. Under certain features of the System, active members may purchase credit for types of prior educational or military service on a lump-sum or installment purchase basis.

In addition to regular retirement benefits, the System also provides for disability retirement benefits and death benefits. Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined) multiplied by the number of years credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits. Certain exceptions apply to normal disability retirements.

Death benefits are payable upon death of an active member who has reached age 62 or who has at least five years of credited service. Such benefits are actuarially equivalent to the benefit which would have been effective if the member had retired on the day before death.

Note 7 – Commitments and Contingencies – (Continued)

School Pension Plan - (Continued)

The contribution policy is set by the Code and requires contributions by active members, employers, and the Commonwealth. The System's funding policy provides for periodic employer and Commonwealth contributions at actuarially determined rates, expressed as a percentage of annual covered payroll, such that they, along with employee contributions and an actuarially determined rate of investment return, are adequate to accumulate assets to pay retirement benefits when due. Level percentages of payroll employer contribution rates are determined using the entry age normal actuarial funding method. This method determines the amount of contributions necessary to (1) fully fund all current costs, which represents the estimated amount necessary to pay for benefits earned by the employees during the current service year; and (2) liquidate the prior service cost for service earned prior to the current service year and subsequent benefit increases, which represents the amount necessary to fund accrued liabilities over appropriate amortization periods.

Contribution rates for active members are set by law (redefined with the provision of Act 9 of 2001) and are dependent upon members' class. In most cases, the contribution rates based on qualified member compensation are as follows:

Members whose membership started prior to July 1, 2011:

Membership Class T-C	Active members hired before July 22, 1983	5.25%
Membership Class T-C	Active members hired on or after July 22, 1983	6.25%
Membership Class T-D	Active members hired before July 22, 1983	6.50%
Membership Class T-D	Active members hired on or after July 22, 1983	7.50%

Members whose membership started on or after July 1, 2011:

Membership Class T-E	7.50%
Membership Class T-F	10.30%

The total contribution rate for the employers and the Commonwealth was 12.36% of qualified compensation for the year ended June 30, 2013. According to requirements established in Act 29 of 1994, the Commonwealth reimburses school entity employers a portion of the employers contributions paid to the System.

A portion of each employer and Commonwealth contribution to the System is set aside for the funding of the Health Insurance Premium Assistance Program. The premium assistance contribution rate is set at a level necessary to establish reserves sufficient to provide premium assistance payments for all participating eligible members for the subsequent fiscal year. The portion of the total contribution rate for employers and the Commonwealth used to fund premium assistance was .86% for the year ended June 30, 2013.

Retirement plan contributions made by the School amounted to \$74,053 for the year ended June 30, 2013.

Note 7 – Commitments and Contingencies – (Continued)

Federal and State Grants

The School participates in numerous Federal and State grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2013 may be impaired. In the opinion of the School, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

Food Services

The School entered into a management contract with Samario's to operate the School's cafeteria. The School reimburses Samario's on a weekly basis for the direct costs of operations, including food purchases and other operating costs.

Note 8 - Inter-fund Receivables and Payables

Inter-fund balances at June 30, 2013 consist of the following individual fund receivables and payables:

	<u>Receivables</u>	<u>Payables</u>
General Fund		
Food service fund	\$ 13,395	\$ -
Food Service Fund		
General fund	-	13,395
	<u>\$ 13,395</u>	<u>\$ 13,395</u>

Note 9 – Howard Gardner School for Discovery

The condensed Statement of Net Position for the Howard Gardner School for Discovery at June 30, 2013 is as follows:

Assets	
Capital assets, net	\$ 62,601
Due from Howard Gardner Multiple Intelligence Charter School	151,115
Other assets	9,793
Total assets	<u>223,509</u>
Liabilities	
Line of credit	<u>240,805</u>
Net Position	
Unrestricted	<u>(17,296)</u>
Total net position	<u>\$ (17,296)</u>

Note 9 – Howard Gardner School for Discovery – (Continued)

The condensed Statement of Activities for the Howard Gardner School for Discovery for the year ended June 30, 2013 is as follows:

General revenues	\$ <u>54,033</u>
Expenses	
Management and general	62,478
Depreciation	<u>2,000</u>
Total expenses	<u>64,478</u>
Change in net position	(10,445)
Net position – beginning of year	<u>(6,851)</u>
Net position – end of year	\$ <u>(17,296)</u>

HOWARD GARDNER MULTIPLE INTELLIGENCE
CHARTER SCHOOL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues				
Local sources	\$ 1,730,000	\$ 1,730,000	\$1,514,729	\$ (215,271)
State sources	57,300	57,300	29,873	(27,427)
Federal sources	194,113	194,113	31,953	(162,160)
Interest income	-	-	105	105
Total revenues	<u>1,981,413</u>	<u>1,981,413</u>	<u>1,576,660</u>	<u>(404,753)</u>
Expenditures				
Instruction and instructional related services				
Regular programs	598,541	598,541	502,621	95,920
Special programs	147,035	147,035	45,907	101,128
Other instructional programs	-	-	35,012	(35,012)
Pre-Kindergarten	-	-	199,371	(199,371)
Total instructional and instructional related services	<u>745,576</u>	<u>745,576</u>	<u>782,911</u>	<u>(37,335)</u>
Support services				
Pupil personnel	52,414	52,414	66,964	(14,550)
Instructional staff	45,487	45,487	41,346	4,141
Administration	257,533	257,533	313,830	(56,297)
Pupil health	41,792	41,792	17,308	24,484
Business	51,000	51,000	13,527	37,473
Operation and maintenance	223,495	223,495	62,247	161,248
Total support services	<u>671,721</u>	<u>671,721</u>	<u>515,222</u>	<u>156,499</u>
Noninstructional				
Student activities	6,500	6,500	23,559	(17,059)
Total noninstructional	<u>6,500</u>	<u>6,500</u>	<u>23,559</u>	<u>(17,059)</u>
Improvement services				
Total improvement services	<u>-</u>	<u>-</u>	<u>1,698,204</u>	<u>(1,698,204)</u>
Other expenditures				
Debt service	58,000	58,000	-	58,000
Total other expenditures	<u>58,000</u>	<u>58,000</u>	<u>-</u>	<u>58,000</u>
Total expenditures	<u>1,481,797</u>	<u>1,481,797</u>	<u>3,019,896</u>	<u>(1,538,099)</u>
Excess (deficiency) of revenues over expenditures	<u>499,616</u>	<u>499,616</u>	<u>(1,443,236)</u>	<u>(1,942,852)</u>
Other financing sources (uses)				
Mortgage proceeds	-	-	1,280,000	(1,280,000)
Transfer in from Howard Gardner School for Discovery	-	-	151,115	(151,115)
Operating transfers in (out)	(87,107)	(87,107)	-	(87,107)
Total other financing sources (uses)	<u>(87,107)</u>	<u>(87,107)</u>	<u>1,431,115</u>	<u>(1,518,222)</u>
Net change in fund balances	412,509	412,509	(12,121)	(424,630)
Fund balances - beginning of year	-	-	-	-
Fund balances - end of year	<u>\$ 412,509</u>	<u>\$ 412,509</u>	<u>\$ (12,121)</u>	<u>\$ (424,630)</u>

The accompanying Notes are an integral part of these Financial Statements.



McGrail Merkel Quinn & Associates, P.C.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Francis J. Merkel, CPA
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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*

To the Board of Directors of the
Howard Gardner Multiple Intelligence
Charter School
Scranton, Pennsylvania

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit and each major fund of Howard Gardner Multiple Intelligence Charter School, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Howard Gardner Multiple Intelligence Charter School's basic financial statements, and have issued our report thereon dated December 17, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Howard Gardner Multiple Intelligence Charter School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Howard Gardner Multiple Intelligence Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Howard Gardner Multiple Intelligence Charter School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

An Independently Owned Member
McGLADREY ALLIANCE



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To the Board of Directors of the
Howard Gardner Multiple Intelligence
Charter School
Scranton, Pennsylvania

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Howard Gardner Multiple Intelligence Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mc Nail, Markel, Dui
+ Associates, P.C.

Scranton, Pennsylvania
December 17, 2013