



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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May 22, 2013

Charter School Board
Montessori Academy at Geist, Inc.
13942 E. 96th Street, Suite 120
McCordsville, IN 46055

We have reviewed the Financial Statements and Independent Auditors' Report prepared by Fitzgerald/Isaac LLC, Independent Public Accountants, for the period July 1, 2011 to June 30, 2012. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Montessori Academy at Geist, Inc., as of June 30, 2012, and the results of its operations for the period then ended, on the basis of accounting described in the report.

In addition to the report presented herein, a Supplemental Audit Report for Montessori Academy at Geist, Inc. was prepared in accordance with the guidelines established by the State Board of Accounts.

The Financial Statements and Independent Auditors' Report and the Supplemental Audit Report are filed in our office as a matter of public record.

State Board of Accounts

MONTESSORI ACADEMY AT GEIST, INC.

Financial Statements

June 30, 2012

Fitzgerald | Isaac LLC
Certified Public Accountants

MONTESSORI ACADEMY AT GEIST, INC.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Montessori Academy at Geist, Inc.

We have audited the accompanying statement of financial position of **Montessori Academy at Geist, Inc.** as of June 30, 2012 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Montessori Academy at Geist, Inc.** as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Fitzgerald / Isaac LLC

March 8, 2013

MONTESSORI ACADEMY AT GEIST, INC.

Statement of Financial Position

<u>Assets</u>	<u>June 30, 2012</u>
Current assets:	
Cash	\$ 141,632
Accounts receivable:	
State tuition support	622,291
Grants	1,966
Prepaid expense	228
Total current assets	<u>766,117</u>
Security deposit	11,000
Property and equipment:	
Leasehold improvements	10,272
Furniture and equipment	224,226
Textbooks	3,205
	<u>237,703</u>
Less: accumulated depreciation	(120,024)
Property and equipment, net	<u>117,679</u>
	<u>\$ 894,796</u>
 <u>Liabilities and Net Assets</u>	
Current liabilities:	
Accounts payable and accrued expenses	\$ 52,489
Refundable advances	162
Total current liabilities	<u>52,651</u>
Accrued interest on Common School Fund loans	48,946
Long-term debt	580,677
Total liabilities	<u>682,274</u>
Net assets:	
Unrestricted net assets	191,980
Temporarily restricted	20,542
Total	<u>212,522</u>
	<u>\$ 894,796</u>

See accompanying notes to financial statements.

MONTESSORI ACADEMY AT GEIST, INC.

Statement of Activities

	Year Ended June 30, 2012		
	Unrestricted	Temporarily Restricted	Total
<u>Revenue, Gains and Support</u>			
State education support	\$ 1,244,626	-	1,244,626
Grant revenue	236,099	-	236,099
Student fees	71,076	-	71,076
Contributions	4,127	-	4,127
Other	5,029	-	5,029
Total revenue, gains and support	<u>1,560,957</u>	<u>-</u>	<u>1,560,957</u>
<u>Expenses</u>			
Program services:			
Educational instruction	924,884	-	924,884
Education support	78,605	-	78,605
Administrative	329,612	-	329,612
Total expenses	<u>1,333,101</u>	<u>-</u>	<u>1,333,101</u>
Increase in net assets	227,856	-	227,856
Net assets (deficiency), beginning of year	<u>(35,876)</u>	<u>20,542</u>	<u>(15,334)</u>
Net assets, end of year	<u>\$ 191,980</u>	<u>20,542</u>	<u>212,522</u>

See accompanying notes to financial statements.

MONTESSORI ACADEMY AT GEIST, INC.

Statement of Cash Flows

<u>Operating Activities</u>	Year Ended June 30, 2012
Increase in net assets	\$ 227,856
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	41,656
Change in:	
Accounts receivable	(166,340)
Prepaid expense	14
Security deposit	(11,000)
Accounts payable and accrued expenses	21,039
Refundable advances	(72,015)
Net cash provided by operating activities	<u>41,210</u>
 <u>Investing Activities</u>	
Purchases of property and equipment	<u>(107,073)</u>
Net cash used by investing activities	<u>(107,073)</u>
 <u>Financing Activities</u>	
Proceeds from Common School Fund loans	148,785
Repayments on bank term loan	(90,519)
Net cash provided by financing activities	<u>58,266</u>
 Net decrease in cash	(7,597)
 Cash, beginning of year	<u>149,229</u>
 Cash, end of year	<u>\$ 141,632</u>
 Supplemental disclosures:	
Cash payments for interest expense	\$ 4,605

See accompanying notes to financial statements.

MONTESSORI ACADEMY AT GEIST, INC.

Notes to Financial Statements

June 30, 2012

(1) Summary of Significant Accounting Policies

General

Montessori Academy at Geist, Inc. (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24-3-1 and sponsored by Ball State University. The School commenced operations as of July 1, 2006.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Revenue Recognition

Revenues generally come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to the funding received by public schools in the same geographic area. Funding from the State of Indiana is based on enrollment, and is paid in equal monthly installments in January through December following the start of the school year. Revenue is recognized in the year in which the educational services are rendered.

A portion of the School's revenue is the product of cost reimbursement grants. Accordingly, the School recognizes revenue under these grants in the amounts of costs and expenses at the time they are incurred.

Accounts Receivable

Accounts receivable relate primarily to activities funded under federal grants and legislation enacted by the State of Indiana. The School believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

MONTESSORI ACADEMY AT GEIST, INC.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Taxes on Income

Montessori Academy at Geist, Inc. has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax-exempt purpose. For the year ended June 30, 2012, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional standards require the School to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The tax years ending 2011, 2010, and 2009 are open to audit for both federal and state purposes.

Property and Equipment

Purchases of these assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, and minor replacement costs are charged to expense as incurred.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives generally are as follows:

Leasehold improvements.....	10 years
Furniture and equipment	3 to 5 years
Textbooks	4 years

MONTESSORI ACADEMY AT GEIST, INC.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Subsequent Events

The School evaluated subsequent events through March 8, 2013, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

(2) Accounts Receivable

Accounts receivable for state education support as of June 30, 2012 represent amounts due relating to the following sources:

Tuition support	\$533,709
Special education grant	85,054
Prime Time grant.....	<u>3,528</u>
	<u>\$622,291</u>

Tuition support is determined by state law and is dependent upon the geographic location of the school and is indexed to the poverty data of the enrolled students. The payment schedule is likewise determined by state law with tuition support payable in equal monthly installments in the calendar year following the start of the school year. Upon revocation or termination of the charter, the payment streams will cease and any unpaid amounts will be applied to the unpaid balance of notes from the Indiana Common School Fund (see Note 3).

MONTESSORI ACADEMY AT GEIST, INC.

Notes to Financial Statements

(3) Long-Term Debt

Long-term debt at June 30, 2012 represents five loans from the Indiana Common School Fund. The loans require semi-annual payments of principal and interest over a period of 20 years, with interest at 4% per annum. In 2011, the Indiana Common School Fund granted a moratorium on loan payments. Payments will commence on July 1, 2013. The last note matures on January 1, 2033. The notes are secured by unpaid tuition support distributions (see Note 2).

Principal maturities under the loan agreements are as follows:

Year Ended June 30:

2013	\$ -
2014	29,977
2015	29,977
2016	29,977
2017	29,977
Thereafter	<u>460,769</u>
	<u>\$580,677</u>

(4) Leases

The School leases its school facilities as well as certain items of office equipment under operating leases for terms from one to seven years. Expense under operating leases for the year ended June 30, 2012 was \$241,360. Future minimum lease obligations under noncancelable operating leases with initial lease terms in excess of one year are as follows:

Year Ending June 30:

2013	\$337,309
2014	337,309
2015	335,319
2016	334,921
2017	334,921
Thereafter	642,583

MONTESSORI ACADEMY AT GEIST, INC.

Notes to Financial Statements

(5) Retirement Plans

Retirement benefits for School employees are provided under a Section 403(b) defined contribution retirement plan. Under the plan, the School will match 100% of employee contributions not to exceed 7% of compensation for the plan year. Additional contributions may be made to the plan at the discretion of the board of directors. No discretionary contributions were made in 2012. Retirement plan expense for the year ended June 30, 2012 was \$8,021.

(6) Commitments

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support. Expense under this charter agreement was \$32,024 for the year ended June 30, 2012. The charter remains in effect until June 30, 2013, and is renewable thereafter by mutual consent.

(7) Risks and Uncertainties

The School provides educational instruction services to families residing in Hancock and surrounding counties in Indiana, and is subject to the risks of economic and competitive forces at work within this geographic area.

The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2012, substantially all of the accounts receivable balance was due from the State of Indiana. All cash deposits are maintained at BMO Harris Bank and are secured by FDIC insurance up to the legal limit.

MONTESSORI ACADEMY AT GEIST, INC.

Notes to Financial Statements

(8) Restrictions on Assets

Temporarily restricted net assets as of June 30, 2012 totaling \$20,542 related to a previous capital campaign, and are available to be used for capital improvements.

(9) Functional Expense Reporting

The costs of providing the educational activities have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated among the programs and services benefited. Following is a summary of expenses comprising each program and/or service for the year ended June 30, 2012:

	<u>Educational Instruction</u>	<u>Education Support</u>	<u>Admini- strative</u>
Salaries and wages	\$473,332	-	139,695
Employee benefits.....	77,162	-	19,811
Professional services.....	53,381	37,324	61,237
Authorizer oversight fee	-	-	32,024
Staff development and recruitment.....	4,089	-	-
Food costs	-	333	-
Property rental and equipment.....	15,805	-	-
Classroom, kitchen and office supplies	31,811	12,205	11,007
Occupancy	227,648	17,737	-
Depreciation.....	41,656	-	-
Interest	-	-	25,794
Advertising.....	-	-	4,675
Insurance	-	-	16,117
Repairs and maintenance	-	661	-
Other	-	<u>10,325</u>	<u>19,252</u>
	<u>\$924,884</u>	<u>78,605</u>	<u>329,612</u>

MONTESSORI ACADEMY AT GEIST, INC.

Other Reports

Year Ended June 30, 2012

The reports presented herein were prepared in addition to another official report prepared for the School as listed below:

Supplemental Audit Report of Montessori Academy at Geist, Inc.

The Supplemental Audit Report contains the results of compliance testing required by the Indiana State Board of Accounts under its *Guidelines for the Audits of Charter Schools Performed by Private Examiners* pertaining to matters addressed in its *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools*.