



STATE OF INDIANA
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February 19, 2014

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, 2012 to June 30, 2013. 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, 2013, 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, 2013 and 2012

MONTESSORI ACADEMY AT GEIST, INC.

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Montessori Academy at Geist, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of **Montessori Academy at Geist, Inc.**, which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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.

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

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, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Stephanie / Hancock

Indianapolis, IN
December 3, 2013

MONTESSORI ACADEMY AT GEIST, INC.

Statements of Financial Position

	June 30	
Assets	2013	2012
Current assets:		
Cash	\$ 239,142	141,632
Accounts receivable:		
State tuition support	-	622,291
Grants	-	1,966
Prepaid expense	16,754	228
Total current assets	255,896	766,117
Security deposit	11,000	11,000
Property and equipment:		
Leasehold improvements	10,272	10,272
Furniture and equipment	249,998	224,226
Textbooks	8,712	3,205
Less: accumulated depreciation	(167,176)	(120,024)
Property and equipment, net	101,806	117,679
	\$ 368,702	894,796
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 93,402	52,489
Deferred revenue	15,269	-
Refundable advances	-	162
Total current liabilities	108,671	52,651
Accrued interest on Common School Fund loans	-	48,946
Long-term debt	-	580,677
Total liabilities	108,671	682,274
Net assets:		
Unrestricted net assets	260,031	191,980
Temporarily restricted	-	20,542
Total	260,031	212,522
	\$ 368,702	894,796

See accompanying notes to financial statements.

MONTESSORI ACADEMY AT GEIST, INC.

Statements of Activities

	Year Ended June 30, 2013			Year Ended June 30, 2012		
	Unrestricted	Temporarily		Unrestricted	Temporarily	
		Restricted	Total		Restricted	Total
Revenue and Public Support						
State education support	\$ 1,435,468	-	1,435,468	\$ 1,244,626	-	1,244,626
Grant revenue	241,894	-	241,894	236,099	-	236,099
Student fees	34,646	-	34,646	71,076	-	71,076
Contributions	13,980	-	13,980	4,127	-	4,127
Other	7,779	-	7,779	5,029	-	5,029
Net assets released from restrictions	20,542	(20,542)	-	-	-	-
Total revenue and public support	<u>1,754,309</u>	<u>(20,542)</u>	<u>1,733,767</u>	<u>1,560,957</u>	<u>-</u>	<u>1,560,957</u>
Expenses						
Program services:						
Educational instruction	1,339,814	-	1,339,814	924,884	-	924,884
Education support	74,703	-	74,703	78,605	-	78,605
Administrative	300,232	-	300,232	329,612	-	329,612
Total expenses	<u>1,714,749</u>	<u>-</u>	<u>1,714,749</u>	<u>1,333,101</u>	<u>-</u>	<u>1,333,101</u>
Change in net assets before non-operating revenue	39,560	(20,542)	19,018	227,856	-	227,856
Non-Operating Revenue						
Gain due to changes in legislative funding	28,491	-	28,491	-	-	-
Increase (decrease) in net assets	68,051	(20,542)	47,509	227,856	-	227,856
Net asset (deficiency), beginning of year	191,980	20,542	212,522	(35,876)	20,542	(15,334)
Net assets, end of year	<u>\$ 260,031</u>	<u>-</u>	<u>260,031</u>	<u>\$ 191,980</u>	<u>20,542</u>	<u>212,522</u>

See accompanying notes to financial statements.

MONTESSORI ACADEMY AT GEIST, INC.

Statements of Cash Flows

	<u>Year Ended June 30</u>	
	<u>2013</u>	<u>2012</u>
<u>Operating Activities</u>		
Change in net assets	\$ 47,509	227,856
Adjustments to reconcile change in net assets to net cash from operating activities:		
Gain due to changes in legislative funding	(28,491)	-
Depreciation	47,152	41,656
Change in:		
Accounts receivable	(93,837)	(166,340)
Prepaid expense	(16,526)	14
Security deposit	-	(11,000)
Accounts payable and accrued expenses	66,209	21,039
Deferred revenue	15,269	-
Refundable advances	(162)	(72,015)
Net cash provided by operating activities	<u>37,123</u>	<u>41,210</u>
<u>Investing Activities</u>		
Purchases of property and equipment	(31,279)	(107,073)
Net cash used by investing activities	<u>(31,279)</u>	<u>(107,073)</u>
<u>Financing Activities</u>		
Proceeds from Common School Fund loans	91,666	148,785
Repayments on bank term loan	-	(90,519)
Net cash provided by financing activities	<u>91,666</u>	<u>58,266</u>
Net increase (decrease) in cash	97,510	(7,597)
Cash, beginning of year	<u>141,632</u>	<u>149,229</u>
Cash, end of year	<u>\$ 239,142</u>	<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, 2013 and 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 and sponsored by Ball State University.

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 academic school year. Revenue is recognized in the year in which 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

Contributions

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The School reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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 years ended June 30, 2013 and 2012, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional accounting 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 2012, 2011, and 2010 are open to audit for both federal and state purposes.

MONTESSORI ACADEMY AT GEIST, INC.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

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	3 to 4 years

Deferred Revenue

Deferred income consists of materials and supplies fee deposits received as part of the enrollment process for the subsequent academic school year.

Subsequent Events

The School evaluated subsequent events through December 3, 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) Legislative Funding Changes

In 2013, the Indiana legislature passed amendments to the Indiana Charter Schools Act that altered the manner in which charter schools are funded. Prior to enactment, charter schools received funding in the calendar year following the start of the academic school year. As such, the School followed the practice of recognizing at June 30 of each year a receivable for payments to be made to the School in the subsequent July through December time period, which represented amounts due for services rendered. Effective July 1, 2013, school funding will be paid following the State of Indiana fiscal year of July to June, which is similar to the School's academic year. As part of this legislative amendment, the funding owed to the School under prior legislation for the period July to December 2013 will no longer be paid.

MONTESSORI ACADEMY AT GEIST, INC.

Notes to Financial Statements

(2) Legislative Funding Changes, Continued

In the same session, the Indiana legislature appropriated funding from the Indiana general fund to repay Indiana Common School Fund loans and accrued interest outstanding as of June 30, 2013 on behalf of charter schools. The School has applied for and received repayment of its indebtedness under these obligations as of June 30, 2013.

The effect of these legislative amendments has been reflected in the accompanying statements of activities as a gain due to changes in legislative funding and is comprised of the following:

Repayment of Common School Fund loans.....	\$672,343
Repayment of accrued interest on Common School Fund loans.....	<u>74,242</u>
	746,585
Elimination of School funding	<u>(718,094)</u>
	\$ <u>28,491</u>

(3) Accounts Receivable

Accounts receivable for state education support as of June 30, 2012 represented 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 and other factors. 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 academic school year. Effective July 1, 2013, tuition support will be paid in monthly installments that coincide with the School's fiscal year (see Note 2).

MONTESSORI ACADEMY AT GEIST, INC.

Notes to Financial Statements

(4) Long-Term Debt

Long-term debt at June 30, 2012 represented five separate loans from the Indiana Common School Fund. The loans required semi-annual payments of principal and interest over a period of 20 years, with interest at 4% per annum. An additional loan for \$91,666 was added in the 2013 fiscal year. In 2013 and 2012, the loans were under a moratorium on loan payments, but interest continued to accrue. In 2013, the outstanding loans and all accrued interest were repaid with funding appropriated from the State of Indiana general fund (see Note 2).

(5) 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 years ended June 30, 2013 and 2012 were \$341,296 and \$241,360, respectively. Future minimum lease obligations under noncancelable operating leases with initial lease terms in excess of one year are as follows:

Year Ending June 30:

2014	\$346,558
2015	344,568
2016	344,170
2017	344,170
2018	214,188
Thereafter	446,479

(6) Retirement Plan

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 2013 and 2012. Retirement plan expense for the years ended June 30, 2013 and 2012 was \$6,295 and \$8,021, respectively.

MONTESSORI ACADEMY AT GEIST, INC.

Notes to Financial Statements

(7) 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 received. Expense under this charter agreement was \$18,206 and \$32,024 for the years ended June 30, 2013 and 2012. The charter remains in effect until June 30, 2016, and is renewable thereafter by mutual consent.

(8) Restrictions on Assets

Temporarily restricted net assets as of June 30, 2012 totaling \$20,542 related to a previous capital campaign, and were available to be used for capital improvements. This restriction was released in the 2013 fiscal year by incurring costs and expenses relative to the restriction.

(9) 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.

MONTESSORI ACADEMY AT GEIST, INC.

Notes to Financial Statements

(10) 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 service for the years ended June 30, 2013 and 2012:

	2013		
	<u>Educational Instruction</u>	<u>Education Support</u>	<u>Admini- strative</u>
Salaries and wages	\$ 654,821	6,269	145,343
Employee benefits.....	117,433	480	25,422
Professional services.....	69,260	42,755	35,525
Authorizer oversight fee	-	-	18,206
Staff development and recruitment.....	9,571	-	-
Food costs	-	702	-
Property rental and equipment.....	52,534	-	-
Classroom, kitchen and office supplies	15,364	12,216	7,648
Occupancy	373,679	1,087	-
Depreciation.....	47,152	-	-
Interest	-	-	25,297
Advertising.....	-	-	509
Insurance	-	-	22,692
Repairs and maintenance	-	500	-
Other	-	10,694	19,590
	<u>\$ 1,339,814</u>	<u>74,703</u>	<u>300,232</u>

MONTESSORI ACADEMY AT GEIST, INC.

Notes to Financial Statements

(10) Functional Expense Reporting, Continued

	<u>2012</u>		
	<u>Educational</u>	<u>Education</u>	<u>Admini-</u>
	<u>Instruction</u>	<u>Support</u>	<u>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	-	353	-
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, 2013

The report presented herein was 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*.