



STATE OF INDIANA
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November 20, 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, 2013 to June 30, 2014. 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, 2014, 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.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

MONTESSORI ACADEMY AT GEIST, INC.

Financial Statements

June 30, 2014 and 2013

MONTESSORI ACADEMY AT GEIST, INC.

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1-2
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6-13
Other Reports	14

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, 2014 and 2013, 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, 2014 and 2013, 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.

Handwritten signature in cursive script, appearing to read "Raymond J. Lane III".

Indianapolis, IN
September 5, 2014

MONTESSORI ACADEMY AT GEIST, INC.

Statements of Financial Position

Assets	June 30	
	2014	2013
Current assets:		
Cash	\$ 103,820	239,142
Accounts receivable:		
Grants	1,916	-
Due from affiliated entity	5,809	-
Prepaid expense	33,005	16,754
Total current assets	<u>144,550</u>	<u>255,896</u>
Security deposit	11,000	11,000
Property and equipment:		
Leasehold improvements	143,687	10,272
Furniture and equipment	256,080	249,998
Textbooks	9,732	8,712
Less: accumulated depreciation	(225,188)	(167,176)
Property and equipment, net	<u>184,311</u>	<u>101,806</u>
	<u>\$ 339,861</u>	<u>368,702</u>
 <u>Liabilities and Net Assets</u>		
Accounts payable and accrued expenses	\$ 66,012	93,402
Deferred revenue	24,103	15,269
Refundable advances	10,000	-
Total current liabilities	<u>100,115</u>	<u>108,671</u>
Unrestricted net assets	<u>239,746</u>	<u>260,031</u>
	<u>\$ 339,861</u>	<u>368,702</u>

See accompanying notes to financial statements.

MONTESSORI ACADEMY AT GEIST, INC.

Statements of Activities

	Year Ended June 30, 2014			Year Ended June 30, 2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<u>Revenue and Public Support</u>						
State education support	\$ 1,837,361	-	1,837,361	\$ 1,435,468	-	1,435,468
Grant revenue	76,159	-	76,159	241,894	-	241,894
Student fees	72,691	-	72,691	34,646	-	34,646
Contributions	316	-	316	13,980	-	13,980
Other	24,392	-	24,392	7,779	-	7,779
Net assets released from restrictions	-	-	-	20,542	(20,542)	-
Total revenue and public support	<u>2,010,919</u>	<u>-</u>	<u>2,010,919</u>	<u>1,754,309</u>	<u>(20,542)</u>	<u>1,733,767</u>
<u>Expenses</u>						
Program services	1,644,830	-	1,644,830	1,414,517	-	1,414,517
Management and general	386,374	-	386,374	300,232	-	300,232
Total expenses	<u>2,031,204</u>	<u>-</u>	<u>2,031,204</u>	<u>1,714,749</u>	<u>-</u>	<u>1,714,749</u>
Change in net assets before non-operating revenue	(20,285)	-	(20,285)	39,560	(20,542)	19,018
<u>Non-Operating Revenue</u>						
Gain due to changes in legislative funding	-	-	-	28,491	-	28,491
Increase (decrease) in net assets	(20,285)	-	(20,285)	68,051	(20,542)	47,509
Net assets, beginning of year	<u>260,031</u>	<u>-</u>	<u>260,031</u>	<u>191,980</u>	<u>20,542</u>	<u>212,522</u>
Net assets, end of year	<u>\$ 239,746</u>	<u>-</u>	<u>239,746</u>	<u>\$ 260,031</u>	<u>-</u>	<u>260,031</u>

See accompanying notes to financial statements.

MONTESSORI ACADEMY AT GEIST, INC.

Statements of Cash Flows

	Year Ended June 30	
	2014	2013
<u>Operating Activities</u>		
Change in net assets	\$ (20,285)	47,509
Adjustments to reconcile change in net assets to net cash from operating activities:		
Gain due to changes in legislative funding	-	(28,491)
Depreciation	58,012	47,152
Change in:		
Accounts receivable	(7,725)	(93,837)
Prepaid expense	(16,251)	(16,526)
Accounts payable and accrued expenses	(27,390)	66,209
Deferred revenue	8,834	15,269
Refundable advances	10,000	(162)
Net cash provided by operating activities	<u>5,195</u>	<u>37,123</u>
<u>Investing Activities</u>		
Purchases of property and equipment	(140,517)	(31,279)
Net cash used by investing activities	<u>(140,517)</u>	<u>(31,279)</u>
<u>Financing Activities</u>		
Proceeds from Common School Fund loans	-	91,666
Net cash provided by financing activities	<u>-</u>	<u>91,666</u>
Net increase (decrease) in cash	(135,322)	97,510
Cash, beginning of year	<u>239,142</u>	<u>141,632</u>
Cash, end of year	<u>\$ 103,820</u>	<u>239,142</u>

See accompanying notes to financial statements.

MONTESSORI ACADEMY AT GEIST, INC.

Notes to Financial Statements

June 30, 2014 and 2013

(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 other public schools in the same geographic area. Funding from the State of Indiana is based on enrollment, and is paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which educational services are rendered.

Student program fees are recognized in the academic school year to which the payments pertain.

A portion of the School's revenue is the product of cost reimbursement grants. Accordingly, the School recognizes revenue under these grants in the amount 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, 2014 and 2013, 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 2013, 2012, and 2011 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.....	12 years
Furniture and equipment	3 to 5 years
Textbooks	3 to 4 years

Deferred Revenue

Deferred income consists of student fee deposits received as part of the enrollment process that apply to the subsequent academic school year.

Subsequent Events

The School evaluated subsequent events through September 5, 2014, 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, charter school funding is 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 was suspended.

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 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) Leases

The School leases its school facilities as well as certain items of office equipment under operating leases for terms from three to seven years. One facility lease allows the School early termination subject to a buyout provision. Expense under operating leases for the years ended June 30, 2014 and 2013 were \$373,010 and \$341,296, 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:

2015	\$391,662
2016	391,662
2017	391,662
2018	259,662
2019	254,068
Thereafter	63,390

MONTESSORI ACADEMY AT GEIST, INC.

Notes to Financial Statements

(4) 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 2014 and 2013. Retirement plan expense for the years ended June 30, 2014 and 2013 was \$354 and \$6,295, respectively.

(5) 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 \$42,129 and \$18,206 for the years ended June 30, 2014 and 2013. The charter remains in effect until June 30, 2016, and is renewable thereafter by mutual consent.

(6) 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.

(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.

MONTESSORI ACADEMY AT GEIST, INC.

Notes to Financial Statements

(8) 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, 2014 and 2013:

	<u>2014</u>	
	<u>Program Services</u>	<u>Management and General</u>
Salaries and wages.....	\$773,453	182,333
Employee benefits	139,803	39,239
Professional services	126,106	45,266
Authorizer oversight fee	-	42,129
Staff development and recruitment	29,316	-
Food costs.....	1,117	-
Property rental and equipment	41,823	-
Classroom, kitchen and office supplies.....	52,355	21,163
Occupancy	399,852	-
Depreciation	58,012	-
Advertising	-	60
Insurance	-	30,092
Repairs and maintenance.....	928	-
Other	<u>22,065</u>	<u>26,092</u>
	<u>\$1,644,830</u>	<u>386,374</u>

MONTESSORI ACADEMY AT GEIST, INC.

Notes to Financial Statements

(8) Functional Expense Reporting, Continued

	<u>2013</u>	
	<u>Program Services</u>	<u>Management and General</u>
Salaries and wages.....	\$661,090	145,343
Employee benefits	117,913	25,422
Professional services	112,015	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.....	27,580	7,648
Occupancy	374,766	-
Depreciation	47,152	-
Interest	-	25,297
Advertising	-	509
Insurance	-	22,692
Repairs and maintenance.....	500	-
Other.....	<u>10,694</u>	<u>19,590</u>
	<u>\$1,414,517</u>	<u>300,232</u>

MONTESSORI ACADEMY AT GEIST, INC.

Other Reports

Year Ended June 30, 2014

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*.