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January 10, 2017

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

We have reviewed the Financial Statements and Independent Auditors' Report prepared by Donovan PC, Independent Public Accountants, for the period July 1, 2015 to June 30, 2016. 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 Montessori Academy at Geist, Inc., as of June 30, 2016, 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

Together with Independent Auditors' Report

For the Years Ended June 30, 2016 and 2015



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### *Independent Auditors' 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, 2016 and 2015, the related statements of activities and change in net assets, functional expenses, 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.

#### **Auditors' 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 auditors' 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 auditors consider 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, 2016 and 2015, and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

DONOVAN

A handwritten signature in black ink that reads "DONOVAN". The signature is written in a cursive style with a large, prominent initial "D".

Indianapolis, Indiana  
December 12, 2016

**MONTESSORI ACADEMY AT GEIST, INC.**

**STATEMENTS OF FINANCIAL POSITION**

**June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 2,728,959	\$ 247,314
Accounts receivable	7,549	4,109
Due from affiliated entity	29,933	7,939
Prepaid expenses	<u>38,126</u>	<u>38,126</u>
<i>Total current assets</i>	<u>2,804,567</u>	<u>297,488</u>
<b>PROPERTY AND EQUIPMENT</b>		
Leasehold improvements	163,687	143,687
Furniture and equipment	282,745	269,124
Textbooks	11,172	11,172
Less: accumulated depreciation	<u>(304,126)</u>	<u>(268,340)</u>
<i>Property and equipment, net</i>	<u>153,478</u>	<u>155,643</u>
<b>OTHER ASSETS</b>		
Security deposit	<u>11,000</u>	<u>11,000</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,969,045</u>	<u>\$ 464,131</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of note payable	\$ 109,068	\$ -
Accounts payable and accrued expenses	85,999	100,301
Deferred revenue	43,023	10,167
Refundable advances	<u>12,000</u>	<u>10,022</u>
<i>Total current liabilities</i>	250,090	120,490
<b>NOTE PAYALBE, NET OF CURRENT PORTION</b>	<u>2,072,300</u>	<u>-</u>
<i>Total liabilities</i>	2,322,390	120,490
<b>NET ASSETS, UNRESTRICTED</b>	<u>646,655</u>	<u>343,641</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 2,969,045</u>	<u>\$ 464,131</u>

See independent auditors' report and accompanying notes to the financial statements

**MONTESSORI ACADEMY AT GEIST, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS**  
**For the Years Ended June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>REVENUE AND SUPPORT</b>		
State education support	\$ 2,203,291	\$ 2,139,481
Grant revenue	241,169	94,046
Student fees	79,505	88,918
Contributions	-	317
Other income	<u>112,457</u>	<u>21,229</u>
<i>Total revenue and support</i>	<u>2,636,422</u>	<u>2,343,991</u>
<b>EXPENSES</b>		
Program services	1,897,888	1,819,468
Management and general	<u>435,520</u>	<u>420,628</u>
<i>Total expenses</i>	<u>2,333,408</u>	<u>2,240,096</u>
<b>CHANGE IN NET ASSETS</b>	303,014	103,895
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>343,641</u>	<u>239,746</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 646,655</u>	<u>\$ 343,641</u>

See independent auditors' report and accompanying notes to the financial statements

**MONTESSORI ACADEMY AT GEIST, INC.**

**STATEMENTS OF FUNCTIONAL EXPENSES**

**For the Years Ended June 30, 2016 and 2015**

	2016			2015		
	Program	Management and General	Total	Program	Management and General	Total
<b>FUNCTIONAL EXPENSES</b>						
Salaries and wages	\$ 958,014	\$ 249,633	\$ 1,207,647	\$ 911,501	\$ 223,490	\$ 1,134,991
Employee benefits	158,710	63,466	222,176	151,056	49,691	200,747
Professional services	180,261	10,564	190,825	149,802	42,307	192,109
Authorizer oversight fees	-	53,839	53,839	-	46,134	46,134
Staff development and recruitment	16,725	-	16,725	36,921	175	37,096
Food costs	3,093	-	3,093	2,554	-	2,554
Property rental and equipment	23,526	-	23,526	20,195	-	20,195
Classroom, kitchen, and office supplies	76,912	6,251	83,163	48,606	13,256	61,862
Occupancy	423,148	-	423,148	432,840	-	432,840
Depreciation	35,786	-	35,786	43,152	-	43,152
Advertising	-	7,074	7,074	-	3,250	3,250
Insurance	-	25,621	25,621	-	24,856	24,856
Repairs and maintenance	2,494	-	2,494	736	-	736
Other	19,219	19,072	38,291	22,105	17,469	39,574
	<u>\$ 1,897,888</u>	<u>\$ 435,520</u>	<u>\$ 2,333,408</u>	<u>\$ 1,819,468</u>	<u>\$ 420,628</u>	<u>\$ 2,240,096</u>
<i>Total functional expenses</i>						

See independent auditors' report and accompanying notes to the financial statements



**MONTESSORI ACADEMY AT GEIST, INC.**

**STATEMENTS OF CASH FLOWS**

**For the Years Ended June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ 303,014	\$ 103,895
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	35,786	43,152
Change in certain assets and liabilities:		
Accounts receivable	(3,440)	(2,193)
Due from affiliated entity	(21,994)	(2,130)
Prepaid expense	-	(5,121)
Accounts payable and accrued expenses	(14,302)	34,289
Deferred revenue	32,856	(13,936)
Refundable advances	1,978	22
	<u>333,898</u>	<u>157,978</u>
<i>Net cash provided by operating activities</i>	333,898	157,978
<b>INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(33,621)	(14,484)
<b>FINANCING ACTIVITIES</b>		
Proceeds from note payable	<u>2,181,368</u>	<u>-</u>
<b>NET CHANGE IN CASH</b>	2,481,645	143,494
<b>CASH, BEGINNING OF YEAR</b>	<u>247,314</u>	<u>103,820</u>
<b>CASH, END OF YEAR</b>	<u>\$ 2,728,959</u>	<u>\$ 247,314</u>

See independent auditors' report and accompanying notes to the financial statements

**MONTESSORI ACADEMY AT GEIST, INC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2016 and 2015**

**NOTE 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 is sponsored by Ball State University. The School serves approximately 355 students in grades kindergarten to eight by providing an alternative to the traditional public schools.

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

Taxes on Income – The School 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, 2016 and 2015, 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. Tax years ending after 2012 are open to audit for both federal and state purposes.

**MONTESSORI ACADEMY AT GEIST, INC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2016 and 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

Property and Equipment – Purchases of 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 to 12 years
Furniture and equipment .....	3 to 5 years
Textbooks.....	3 years

Deferred Revenue – Deferred revenue 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 December 12, 2016, 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.

**NOTE 2 - NOTE PAYABLE**

The note payable consisted of the following at June 30, 2016:

Note payable to State Board of Education, payable \$109,068 semi-annually (January 1 and July 1) plus interest at 1.00% per annum, advanced in June 2016. First payment due January 1, 2017.	\$ 2,181,368
Less: current portion	<u>(109,068)</u>
Long-term portion	<u>\$ 2,072,300</u>

The note payable to the State Board of Education is the result of the Common School Funds Charter School Innovation Fund Advancement program. This note is secured by the School’s future tuition support payments on the School’s basic grant.

Principal maturities of the note payable are as follows for the years ending June 30:

2017	\$ 109,068
2018	218,137
2019	218,137
2020	218,137
2021	218,137
Thereafter	<u>1,199,752</u>
	<u>\$ 2,181,368</u>

**MONTESSORI ACADEMY AT GEIST, INC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2016 and 2015**

**NOTE 3 - LEASES**

The School leases its education facilities as well as certain items of office equipment under operating leases for terms from three to seven years. The facility leases include options to renew and provisions for rate escalation based on the Consumer Price Index. Under one facility lease, the School is responsible for insurance, taxes, repairs and utilities. Another facility lease provides for early termination by the School subject to a buyout provision. Expense under operating leases for the years ended June 30, 2016 and 2015 were \$392,828 and \$400,449, respectively.

Future minimum lease obligations under noncancelable operating leases with initial lease terms in excess of one year are as follows for the years ending June 30:

2017	\$	378,031
2018		246,031
2019		246,031
2020		60,494

**NOTE 4 - RETIREMENT PLAN**

Retirement benefits for School employees are provided under a Section 403(b) defined contribution retirement plan. Under the plan, the School matches 100% of each participant's 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 2016 and 2015. Retirement plan expense for the years ended June 30, 2016 and 2015 was \$30,973 and \$11,658, respectively.

**NOTE 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 \$53,839 and \$46,134 for the years ended June 30, 2016 and 2015, respectively. The charter remains in effect until June 30, 2021, and is renewable thereafter by mutual consent.

**NOTE 6 - REFUNDABLE ADVANCES**

The School has been awarded grants from the Indiana Department of Education to provide educational instruction. The grants are considered to be exchange transactions. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. At June 30, 2016 and 2015, the School had refundable grant advances in excess of expenditures of \$12,000 and \$10,022, respectively.

**MONTESSORI ACADEMY AT GEIST, INC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2016 and 2015**

**NOTE 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. Cash deposits are maintained at BMO Harris Bank and are insured up to the FDIC insurance limit.

**NOTE 8 - FUNCTIONAL EXPENSE REPORTING**

The costs of providing the educational activities have been summarized on a functional basis in the statements of activities. Accordingly, certain expenses have been allocated between program and management services.

**MONTESSORI ACADEMY AT GEIST, INC**  
**OTHER REPORT**  
**For the Year Ended June 30, 2016**

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*.