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March 18, 2024

Charter School Board  
Montessori Academy at Geist, Inc. and GMA Holding, LLC  
Hancock County, Indiana

We have reviewed the audit report of Montessori Academy at Geist, Inc. and GMA Holding, LLC, which was opined upon by CliftonLarsonAllen LLP, Independent Public Accountants, for the period July 1, 2022 to June 30, 2023. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Montessori Academy at Geist, Inc. and GMA Holding, LLC as of June 30, 2023 and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the Emphasis of Matter Regarding Substantial Doubt About the Entity's Ability to Continue as a Going Concern paragraph included in the Independent Auditors' Report and further detailed in Note 1.

In our opinion, CliftonLarsonAllen LLP prepared the audit report in accordance with guidelines established by the State Board of Accounts.

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

The report is filed with this letter in our office as a matter of public record.

A handwritten signature in cursive script that reads "Tammy R. White".

Tammy R. White, CPA  
Deputy State Examiner

**MONTESSORI ACADEMY AT GEIST, INC.  
AND GMA HOLDING, LLC**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**YEARS ENDED JUNE 30, 2023 AND 2022**



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**MONTESSORI ACADEMY AT GEIST, INC.  
AND GMA HOLDING, LLC  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Montessori Academy at Geist, Inc.  
and GMA Holding, LLC  
McCordsville, Indiana

### **Report on the Audit of the Consolidated Financial Statements**

#### ***Opinion***

We have audited the accompanying consolidated financial statements of Montessori Academy at Geist, Inc. and GMA Holding, LLC, (collectively, the School) which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2023 and 2022, 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.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Emphasis of a Matter – Change in Accounting Principle***

As discussed in Note 1 to the consolidated financial statements, in 2023, the School adopted new accounting guidance for leases. The guidance requires leases to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

#### ***Emphasis of a Matter Regarding Substantial Doubt About the Entity's Ability to Continue as a Going Concern***

The accompanying consolidated financial statements have been prepared assuming that the School will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the School has a balloon payment due within the next twelve months. This payment represents a significant financial obligation that may strain the School's liquidity and ability to meet its obligations as they come due. Management's evaluation of the events and conditions and management's plans regarding these matters also are described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

***Responsibilities of Management for the Consolidated Financial Statements***

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

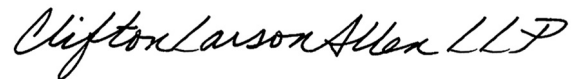
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Board of Directors  
Montessori Academy at Geist, Inc.  
and GMA Holding, LLC

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinion on the consolidated financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Indianapolis, Indiana  
February 15, 2024

**MONTESSORI ACADEMY AT GEIST, INC.  
AND GMA HOLDING, LLC  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2023 AND 2022**

<b>ASSETS</b>	2023	2022
<b>CURRENT ASSETS</b>		
Cash	\$ 633,515	\$ 246,226
Accounts Receivable:		
Grants	100,313	20,419
Other	-	19,439
Prepaid Expenses	3,279	10,121
Total Current Assets	737,107	296,205
<b>PROPERTY AND EQUIPMENT</b>		
Land	546,248	546,248
Building	6,504,810	6,526,561
Building Improvements	333,269	206,477
Furniture and Equipment	321,370	321,370
Textbooks	12,507	12,507
Less: Accumulated Depreciation	(1,034,294)	(849,600)
Property and Equipment, Net	6,683,910	6,763,563
<b>OTHER ASSETS</b>		
Interest Rate Swap	62,120	5,295
Right of Use Asset, Net	25,926	-
Total Assets	\$ 7,509,063	\$ 7,065,063
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current Portion of Notes Payable	\$ 4,242,958	\$ 369,051
Right of Use Liability, Current	13,294	-
Accounts Payable and Accrued Expenses	184,415	128,610
Total Current Liabilities	4,440,667	497,661
<b>LONG-TERM LIABILITIES</b>		
Right of Use Liability, Noncurrent	12,632	-
Notes Payable, Net of Current Portion	545,342	4,788,325
Less: Unamortized Debt Issuance Costs	(9,253)	(27,754)
Total Long-Term Liabilities, Net of Unamortized Debt Issuance Costs	548,721	4,760,571
Total Liabilities	4,989,388	5,258,232
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
Total Liabilities and Net Assets	\$ 7,509,063	\$ 7,065,063

See accompanying Notes to Consolidated Financial Statements.

**MONTESSORI ACADEMY AT GEIST, INC.  
AND GMA HOLDING, LLC  
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS  
YEARS ENDED JUNE 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<b>REVENUE AND SUPPORT</b>		
State Education Support	\$ 1,809,163	\$ 1,455,545
Grant Revenue	480,383	448,740
Student Fees	15,232	47,524
Contribution Income	6,196	4,115
Change in Value of Interest Rate Swap	56,825	282,416
Other Income	661,923	513,364
Total Revenue and Support	<u>3,029,722</u>	<u>2,751,704</u>
<b>EXPENSES</b>		
Program Services	1,416,964	1,500,260
Management and General	899,914	825,567
Total Expenses	<u>2,316,878</u>	<u>2,325,827</u>
<b>CHANGE IN NET ASSETS</b>	712,844	425,877
Net Assets - Beginning of Year	<u>1,806,831</u>	<u>1,380,954</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ 2,519,675</u></u>	<u><u>\$ 1,806,831</u></u>

See accompanying Notes to Consolidated Financial Statements.

**MONTESSORI ACADEMY AT GEIST, INC.  
AND GMA HOLDING, LLC  
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES  
YEARS ENDED JUNE 30, 2023 AND 2022**

	2023			2022		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Salaries and Wages	\$ 917,690	\$ 248,711	\$ 1,166,401	\$ 904,397	\$ 232,324	\$ 1,136,721
Employee Benefits	152,227	59,750	211,977	150,266	40,100	190,366
Professional Services	132,094	101,467	233,561	177,299	81,572	258,871
Authorizer Oversight Fees	-	46,632	46,632	-	40,459	40,459
Food Costs	3,300	-	3,300	1,792	-	1,792
Property Rental and Equipment	39,175	-	39,175	47,438	-	47,438
Classroom, Kitchen, and Office Supplies	40,976	7,672	48,648	64,004	4,769	68,773
Occupancy	45,198	-	45,198	57,481	-	57,481
Depreciation	22,844	161,850	184,694	26,300	163,164	189,464
Insurance	-	26,979	26,979	-	10,565	10,565
Interest	-	232,754	232,754	-	240,263	240,263
Repairs and Maintenance	54,147	-	54,147	61,223	-	61,223
Student Transportation	900	-	900	-	-	-
Travel	307	-	307	-	-	-
Advertising	-	532	532	-	1,080	1,080
Other	8,107	13,566	21,673	10,060	11,271	21,331
<b>Total Functional Expenses</b>	<b>\$ 1,416,965</b>	<b>\$ 899,913</b>	<b>\$ 2,316,878</b>	<b>\$ 1,500,260</b>	<b>\$ 825,567</b>	<b>\$ 2,325,827</b>

See accompanying Notes to Consolidated Financial Statements.

**MONTESSORI ACADEMY AT GEIST, INC.  
AND GMA HOLDING, LLC  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2023 AND 2022**

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 712,844	\$ 425,877
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation	184,694	189,464
Amortization	18,501	18,501
Change in Value of Interest Rate Swap	(56,825)	(282,416)
Forgiveness of Paycheck Protection Program Loan	-	(300,000)
Changes in Operating Assets and Liabilities:		
Grants Receivable	(79,894)	(251)
Other Receivable	19,439	-
Prepaid Expenses	6,842	7,978
Accounts Payable and Accrued Expenses	55,805	5,333
Net Cash Provided by Operating Activities	861,406	64,486
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Property and Equipment	(105,041)	(15,966)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal Payments of Notes Payable	(369,076)	(361,697)
<b>NET CHANGE IN CASH</b>	387,289	(313,177)
Cash - Beginning of Year	246,226	559,403
<b>CASH - END OF YEAR</b>	\$ 633,515	\$ 246,226
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid for Interest	\$ 234,467	\$ 246,248

See accompanying Notes to Consolidated Financial Statements.

**MONTESSORI ACADEMY AT GEIST, INC.  
AND GMA HOLDING, LLC  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**General**

Montessori Academy at Geist, Inc. (GMA) is a public benefit nonprofit organization incorporated under the laws of the state of Indiana. GMA operates a public charter school established under Indiana Code 20-24 and is sponsored by Ball State University. During the 2022-2023 school year, GMA served approximately 240 students in grades preschool to eight by providing an alternative to the traditional public schools.

Effective December 26, 2018, GMA formed GMA Holding, LLC, a wholly owned subsidiary of the School. GMA Holding, LLC was established to own land and construct a school building for use by the School.

**Principles of Consolidation**

The accompanying consolidated financial statements include the accounts of Montessori Academy at Geist, Inc. and GMA Holding, LLC, collectively referred to as the "School." All significant intercompany transactions and balances have been eliminated in consolidation.

**Accounting Estimates**

The preparation of consolidated 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 primarily 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 paid in monthly installments in July through June coinciding with the academic 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. Therefore, the School recognizes revenue under these grants in the amounts of costs and expenses at the time they are incurred. As of June 30, 2023 and 2022, the School does not have any conditional grants that have not been recognized as revenue in the statement of activities because conditions have not been met.

Revenue from student fees and other revenue is recognized when the control of the promised good or service is transferred to the student, in an amount that reflects the consideration expected to be entitled in exchange for those goods or services. Amounts unpaid after the service is performed are reported as accounts receivable in the statements of financial position. As of June 30, 2023, 2022, and 2021, the School had \$0, \$19,439 and \$19,439, respectively, of accounts receivable from student fees. Amounts received prior to service being performed are reported as deferred revenues in the statement of financial position. As of June 30, 2023, 2022, and 2021, the School has \$5,774, \$3,150, and \$325, respectively, of deferred revenue from student fees.

**MONTESSORI ACADEMY AT GEIST, INC.  
AND GMA HOLDING, LLC  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Equivalents**

Cash consists of cash held in bank accounts and cash equivalents consists of short-term, highly liquid investment with original maturities of three months or less. There were no cash equivalents at June 30, 2023 and 2022.

**Grants Receivable and Revenue**

Grants receivable and revenue relate primarily to activities funded under federal programs. The School believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

**Other Accounts Receivable**

Other accounts receivable relate to student fees. The School believes that all amounts are collectible, thus an allowance for doubtful accounts is not deemed necessary.

**Contributions, Grants, and Fees**

The School receives income from contributions, student fees, and fundraising events that support certain school activities. These receipts are reported as restricted support in that they are received with stipulations that limit their use. When a donor restriction expires, that is, when the purpose or time restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and change in net assets as net assets released from restrictions.

**Debt Issuance Cost**

During January 2019, GMA Holding, LLC entered into a construction loan agreement with First Financial Bank, with maximum borrowings of \$4,500,000. Total costs incurred to secure the financing were \$92,508. Amortization is provided on a straight-line basis over the term of the agreement (60 months). Accumulated amortization as of June 30, 2023 and 2022 was \$83,255 and \$64,754, respectively, and was included in construction in progress during the construction phase and interest expense thereafter. As provided by ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, debt issuance costs are presented as a direct deduction from the carrying amount of the related debt liability.

**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. GMA Holding, LLC is in the process of applying for the provision of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization. The School would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2023 and 2022, no accounting for federal and state income taxes was required to be included in the accompanying consolidated financial statements.

**MONTESSORI ACADEMY AT GEIST, INC.  
AND GMA HOLDING, LLC  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Taxes on Income (Continued)**

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 U.S. federal and state income tax returns of the School are subject to examination by the Internal Revenue Service and state taxing authorities, generally for three years after they were filed.

**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:

Buildings	40 Years
Leasehold Improvements	9 to 12 Years
Furniture and Equipment	3 to 5 Years
Textbooks	3 Years

**Impairment of Long-Lived Assets**

On an ongoing basis, the School reviews its long-lived assets for impairment whenever events or circumstances indicate that the carrying amount may be overstated. The School recognizes impairment losses if the undiscounted cash flows expected to be generated are less than the carrying value of the related asset. If impaired, the assets are adjusted to fair value based on the undiscounted cash flows.

**Changes in Accounting Principle**

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842). This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

**MONTESSORI ACADEMY AT GEIST, INC.  
AND GMA HOLDING, LLC  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Changes in Accounting Principle (Continued)**

The School adopted the requirements of the guidance effective July 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption, while continuing to present the comparative period in accordance with the guidance under the lease standard in effect during that period.

The School has elected to adopt the package of practical expedients available in the year of adoption. The School has also elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the School's ROU assets.

**Leases**

The School determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) assets – operating and lease liability – operating, and finance leases are included in ROU assets – financing and lease liability – financing in the balance sheet.

ROU assets represent the School's right to use an underlying asset for the lease term and lease liabilities represent the School's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the School will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The School has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the balance sheet.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the School has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of all lease liabilities.

The School has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

**MONTESSORI ACADEMY AT GEIST, INC.  
AND GMA HOLDING, LLC  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Going Concern Considerations**

The accompanying consolidated financial statements have been prepared on the going concern basis of accounting. The School has balloon payment of approximately \$3.9 million that was originally due January 31, 2024 but has been extended to April 30, 2024. This condition has prompted management to evaluate its financial position and ability to meet this obligation in the coming year.

Management is in active negotiations with the current and other lenders to secure a refinancing of the balloon payment and is confident that these negotiations will be successful. Such financing would be supported by the School's primary operating asset, its' building, which has a carrying value of approximately \$6.7 million at June 30, 2023. But for this balloon payment, the School has had positive net income and cash flows from operations and has had no issues meeting current trade or monthly debt obligations during the years ended June 30, 2023 and 2022. Management believes these factors combined with steadily increasing enrollment over the past several years will support renegotiation of the loan. The School has experienced increasing enrollment from approximately 230 to 250 students during the year ended June 30, 2023 and subsequent to year end to approximately 310 students in the fall semester of 2023- 2024 school year.

The School's ability to continue as a going concern may depend on their ability to refinance the balloon payment as described above. Management believes that its actions and current business plan have alleviated substantial doubt regarding the School's ability to continue as a going concern. The accompanying consolidated financial statements do not include any adjustments as a result of these uncertainties should management and the School be unable to achieve and complete their plan.

**Subsequent Events**

The School evaluated subsequent events through February 15, 2024, the date these consolidated financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the consolidated financial statements or related disclosures would be required.

**MONTESSORI ACADEMY AT GEIST, INC.  
AND GMA HOLDING, LLC  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**NOTE 2 PAYCHECK PROTECTION PROGRAM LOAN**

On April 17, 2020, the School received a loan from First Financial Bank in the amount of \$300,000 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loan). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over 18 months, deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the School fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. To the extent that all or part of the PPP Loan is not forgiven, the Organization will be required to pay interest on the PPP Loan at a rate of 1.0% per annum, and commencing in November 2020, principal and interest payments were required through the maturity date in April 2022. As of July 26, 2021, the loan was fully forgiven and is included in other income in the consolidated statement of activities for the year ended June 30, 2022.

The SBA may review funding eligibility and usage of funds in compliance with the program based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Corporation's financial position.

**NOTE 3 NOTES PAYABLE**

Notes payable were comprised of the following at June 30:

<u>Description</u>	<u>2023</u>	<u>2022</u>
Note payable to First Financial bank, payable in \$11,136 monthly installments plus interest at 4.95% with balloon payment of \$3,950,027 due January 2024.	\$ 4,024,821	\$ 4,175,760
Note payable to State Board of Education, payable \$109,068 semi-annually (January 1 and July 1) plus interest at 1% per annum. Due July 2026.	<u>763,479</u>	<u>981,616</u>
Total	4,788,300	5,157,376
Less: Current Portion	<u>(4,242,958)</u>	<u>(369,051)</u>
Long-Term Portion	<u>\$ 545,342</u>	<u>\$ 4,788,325</u>

**MONTESSORI ACADEMY AT GEIST, INC.  
AND GMA HOLDING, LLC  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**NOTE 3 NOTES PAYABLE (CONTINUED)**

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.

In January 2019, GMA Holding, LLC entered into an agreement with First Financial Bank for a construction loan of \$4,500,000. Borrowings accrue interest at 2.00% above LIBOR (a total of 3.06% at June 30, 2023 and 2022). On February 1, 2020, the construction loan converted to a 48-month term note, using a 240-month amortization period. The loan is subject to certain covenants of which management believes it was in compliance at June 30, 2023.

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 4,242,958
2025	218,137
2026	218,137
2027	109,068
Total	<u>\$ 4,788,300</u>

**NOTE 4 LEASES**

**ASC Topic 842 – 2023**

The School leases equipment from a third party under a long-term noncancelable lease agreement. The leases expires in 2024. In the normal course of business, it is expected that this lease will be renewed or replaced by similar leases. Lease expense associated with all third-party leases was \$6,998 for the year ended June 30, 2023.

Lease Cost:

Operating Lease Cost	\$ 6,998
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Other Information:

Operating Cash Flows from Operating Leases	\$ 6,998
Weighted-Average Remaining Lease Term - Operating Leases	1.8 years
Weighted-Average Discount Rate - Operating Leases	3.75%

**MONTESSORI ACADEMY AT GEIST, INC.  
AND GMA HOLDING, LLC  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**NOTE 4 LEASES (CONTINUED)**

**ASC Topic 842 – 2023 (Continued)**

A maturity analysis of annual discounted cash flows for lease liabilities as of June 30, 2023 is as follows:

<u>Year Ending June 30,</u>	<u>Operating</u>
2024	\$ 13,996
2025	12,829
Undiscounted Cash Flows	26,825
(Less) Imputed Interest	(899)
Total Present Value	<u>\$ 25,926</u>
Short-Term Lease Liabilities	\$ 13,294
Long-Term Lease Liabilities	12,632
Total	<u>\$ 25,926</u>

**ASC Topic 840 - 2022**

The School leases certain items of office equipment under operating leases for terms from three to seven years with the leases expiring in 2023.

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	<u>\$ 1,169</u>

**NOTE 5 INTEREST RATE SWAP**

In February 2020, the GMA Holding LLC entered into an interest rate swap transaction with First Financial Bank. This is guaranteed by GMA. GMA Holding, LLC uses the interest rate swap to convert its variable rate debt to a fixed rate as a cash-flow hedge. GMA Holding, LLC is exposed to credit loss in the event of nonperformance by the counterparty to the interest rate swap agreement. However, GMA Holding, LLC does not anticipate nonperformance by the counterparty.

The agreement that took effect on February 5, 2021 (in conjunction with the conversion of the construction loan to term) effectively changes GMA Holding, LLC's interest rate exposure on its floating rate note payable to 4.95%. This interest rate swap agreement matures on January 31, 2024. This agreement had a total notional principal in the amount of \$3,883,821 and \$4,034,760 at June 30, 2023 and 2022, respectively.

**MONTESSORI ACADEMY AT GEIST, INC.  
AND GMA HOLDING, LLC  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**NOTE 5 INTERET RATE SWAP (CONTINUED)**

The effective portion of the gain or loss on the interest rate swap is reported as revenues and expenses in the consolidated statement of activities and change in net assets in the same period or periods during which the hedged transaction affects the consolidated statement of activities and change in net assets. Gains and losses on the interest rate swap representing either hedge ineffectiveness, or excluded from the assessment of hedge effectiveness, is recognized in the consolidated statement of activities and change in net assets as revenue and expenses.

**NOTE 6 RETIREMENT PLAN**

The School provides retirement benefits covering substantially all full-time employees. Retirement benefits for teaching personnel are provided by the Indiana State Teachers' Retirement Fund (TRF) which is a cost-sharing multiple-employer defined benefit retirement plan governed by the state of Indiana and administered by the Indiana Public Retirement System (INPRS) Board. Contribution requirements of plan members are determined annually by the INPRS Board. For the years ended June 30, 2023 and 2022, the School contributed 5.5% of compensation for eligible teaching personnel. Should the School elect to withdraw from TRF, it could be subject to a withdrawal fee. The School's contributions represent an insignificant percentage of the total contributions received by TRF. As of June 30, 2022 (the latest year reported), TRF was approximately 95% funded.

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 2023 and 2022.

Retirement plan expense for the years ended June 30, 2023 and 2022 was \$45,543 and \$44,781, respectively.

**NOTE 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 \$46,632 and \$40,459 for the years ended June 30, 2023 and 2022, respectively. The charter remains in effect until June 30, 2027, and is renewable thereafter by mutual consent.

**MONTESSORI ACADEMY AT GEIST, INC.  
AND GMA HOLDING, LLC  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**NOTE 8 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 and cash deposits. Cash deposits are maintained at First Financial Bank and are insured up to the Federal Deposit Insurance Corporation insurance limit. From time to time during the year the School's deposit accounts exceed this limit.

**NOTE 9 LIQUIDITY**

Under ASU 2016-14, the School is required to disclose the assets it has available to meet its cash needs for general expenditures within one year of the date of the consolidated statement of financial position. Financial assets for the School include cash, grants receivables, and other accounts receivables.

	<u>2023</u>	<u>2022</u>
Financial Assets	\$ 733,828	\$ 286,084
Less: Those Unavailable for General Expenditures Within One Year	<u>-</u>	<u>-</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 733,828</u>	<u>\$ 286,084</u>

From time to time, the School receives donor-restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, the School must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the School's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**NOTE 10 FUNCTIONAL EXPENSE REPORTING**

The costs of providing the educational activities have been summarized on a functional basis in the consolidated statements of activities and change in net assets. Management of the School has categorized expenses as program services or management and general according to the underlying nature of the expense. As such, no allocation of specific transactions between these categories was required.

## **SUPPLEMENTARY INFORMATION**

**MONTESSORI ACADEMY AT GEIST, INC.  
AND GMA HOLDING, LLC  
CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2023  
(SEE INDEPENDENT AUDITORS' REPORT)**

ASSETS	Montessori Academy at Geist, Inc.			GMA	Eliminations	Total
	School	Pre-K	Total	Holding, LLC		
<b>CURRENT ASSETS</b>						
Cash	\$ 467,891	\$ -	\$ 467,891	\$ 165,624	\$ -	\$ 633,515
Accounts Receivable:						
Grants	100,313	-	100,313	-	-	100,313
Other	-	-	-	-	-	-
Due from Affiliated Entity	2,807,025	255,303	3,062,328	-	(3,062,328)	-
Prepaid Expenses	3,279	-	3,279	-	-	3,279
Total Current Assets	<u>3,378,508</u>	<u>255,303</u>	<u>3,633,811</u>	<u>165,624</u>	<u>(3,062,328)</u>	<u>737,107</u>
<b>PROPERTY AND EQUIPMENT</b>						
Land	-	-	-	546,248	-	546,248
Building	-	-	-	6,504,810	-	6,504,810
Leasehold Improvements	333,269	-	333,269	-	-	333,269
Furniture and Equipment	321,370	-	321,370	-	-	321,370
Textbooks	12,507	-	12,507	-	-	12,507
Less: Accumulated Depreciation	(483,022)	-	(483,022)	(551,272)	-	(1,034,294)
Property and Equipment, Net	<u>184,124</u>	<u>-</u>	<u>184,124</u>	<u>6,499,786</u>	<u>-</u>	<u>6,683,910</u>
<b>OTHER ASSETS</b>						
Interest Rate Swap	-	-	-	62,120	-	62,120
Investment In LLC	(111,085)	-	(111,085)	-	111,085	-
Right of Use Asset, Net	4,444,618	-	4,444,618	-	(4,418,692)	25,926
Total Assets	<u>\$ 7,896,165</u>	<u>\$ 255,303</u>	<u>\$ 8,151,468</u>	<u>\$ 6,727,530</u>	<u>\$ (7,369,935)</u>	<u>\$ 7,509,063</u>
<b>LIABILITIES AND NET ASSETS</b>						
<b>CURRENT LIABILITIES</b>						
Current Portion of Notes Payable	\$ 218,137	\$ -	\$ 218,137	\$ 4,024,821	\$ -	\$ 4,242,958
Right of Use Liability, Current	185,994	-	185,994	-	(172,700)	13,294
Accounts Payable and Accrued Expenses	168,393	-	168,393	16,022	-	184,415
Construction Costs Payable	-	-	-	-	-	-
Deferred Revenue	-	-	-	-	-	-
Due to Affiliated Entity	255,303	-	255,303	2,807,025	(3,062,328)	-
Total Current Liabilities	<u>827,827</u>	<u>-</u>	<u>827,827</u>	<u>6,847,868</u>	<u>(3,235,028)</u>	<u>4,440,667</u>
<b>LONG-TERM LIABILITIES</b>						
Right of Use Liability, Noncurrent	4,258,624	-	4,258,624	-	(4,245,992)	12,632
Notes Payable, Net of Current Portion	545,342	-	545,342	-	-	545,342
Less: Unamortized Debt Issuance Costs	-	-	-	(9,253)	-	(9,253)
Total Long-Term Liabilities, Net of Unamortized Debt Issuance Costs	<u>4,803,966</u>	<u>-</u>	<u>4,803,966</u>	<u>(9,253)</u>	<u>(4,245,992)</u>	<u>548,721</u>
Total Liabilities	<u>5,631,793</u>	<u>-</u>	<u>5,631,793</u>	<u>6,838,615</u>	<u>(7,481,020)</u>	<u>4,989,388</u>
<b>NET ASSETS (DEFICIT) WITHOUT DONOR RESTRICTIONS</b>						
	<u>2,264,372</u>	<u>255,303</u>	<u>2,519,675</u>	<u>(111,085)</u>	<u>111,085</u>	<u>2,519,675</u>
Total Liabilities and Net Assets	<u>\$ 7,896,165</u>	<u>\$ 255,303</u>	<u>\$ 8,151,468</u>	<u>\$ 6,727,530</u>	<u>\$ (7,369,935)</u>	<u>\$ 7,509,063</u>

**MONTESSORI ACADEMY AT GEIST, INC.  
AND GMA HOLDING, LLC  
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
YEAR ENDED JUNE 30, 2023  
(SEE INDEPENDENT AUDITORS' REPORT)**

	Montessori Academy at Geist, Inc.			GMA		Total
	School	Pre-K	Total	Holding, LLC	Eliminations	
<b>REVENUE AND SUPPORT</b>						
State Education Support	\$ 1,809,163	\$ -	\$ 1,809,163	\$ -	\$ -	\$ 1,809,163
Grant Revenue	480,383	-	480,383	-	-	480,383
Student Fees	15,232	-	15,232	-	-	15,232
Contributions	6,196	-	6,196	-	-	6,196
Change in Value of Interest Rate Swap	-	-	-	56,825	-	56,825
Change in Investment in LLC	15,012	-	15,012	-	(15,012)	-
Other Income	475,505	186,418	661,923	372,000	(372,000)	661,923
Total Revenue and Support	<u>2,801,491</u>	<u>186,418</u>	<u>2,987,909</u>	<u>428,825</u>	<u>(387,012)</u>	<u>3,029,722</u>
<b>EXPENSES</b>						
Program Services	1,720,970	67,994	1,788,964	-	(372,000)	1,416,964
Management and General	486,101	-	486,101	413,813	-	899,914
Total Expenses	<u>2,207,071</u>	<u>67,994</u>	<u>2,275,065</u>	<u>413,813</u>	<u>(372,000)</u>	<u>2,316,878</u>
<b>CHANGE IN NET ASSETS</b>	594,420	118,424	712,844	15,012	(15,012)	712,844
Net Assets - Beginning of Year	<u>1,669,952</u>	<u>136,879</u>	<u>1,806,831</u>	<u>(126,097)</u>	<u>126,097</u>	<u>1,806,831</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 2,264,372</u>	<u>\$ 255,303</u>	<u>\$ 2,519,675</u>	<u>\$ (111,085)</u>	<u>\$ 111,085</u>	<u>\$ 2,519,675</u>

**MONTESSORI ACADEMY AT GEIST, INC.  
AND GMA HOLDING, LLC  
OTHER REPORT  
JUNE 30, 2023**

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*.



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