



STATE OF INDIANA
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April 13, 2016

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 Donovan P.C., Independent Public Accountants, for the period July 1, 2014 to June 30, 2015. 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, 2015, 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, 2015 and 2014



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	6-11
Other Reports	12



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, 2015 and 2014, 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, 2015 and 2014, 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.

Donovan P.C.

Indianapolis, IN
February 3, 2016

MONTESSORI ACADEMY AT GEIST, INC.

Statements of Financial Position

<u>Assets</u>	June 30	
	2015	2014
Current assets:		
Cash	\$ 247,314	103,820
Accounts receivable:		
Student fees	4,109	-
Grants	-	1,916
Due from affiliated entity	7,939	5,809
Prepaid expense	38,126	33,005
Total current assets	297,488	144,550
Security deposit	11,000	11,000
Property and equipment:		
Leasehold improvements	143,687	143,687
Furniture and equipment	269,123	256,080
Textbooks	11,173	9,732
Less: accumulated depreciation	(268,340)	(225,188)
Property and equipment, net	155,643	184,311
	\$ 464,131	339,861
<u>Liabilities and Net Assets</u>		
Accounts payable and accrued expenses	\$ 100,301	66,012
Deferred revenue	10,167	24,103
Refundable advances	10,022	10,000
Total current liabilities	120,490	100,115
Unrestricted net assets	343,641	239,746
	\$ 464,131	339,861

See accompanying notes to financial statements.

MONTESSORI ACADEMY AT GEIST, INC.

Statements of Activities

	Year ended June 30	
	2015	2014
<u>Revenue and Public Support</u>		
State education support	\$ 2,139,481	1,837,361
Grant revenue	94,046	76,159
Student fees	88,918	72,691
Contributions	317	316
Other	21,229	24,392
Total revenue and public support	<u>2,343,991</u>	<u>2,010,919</u>
<u>Expenses</u>		
Program services	1,819,468	1,644,830
Management and general	420,628	386,374
Total expenses	<u>2,240,096</u>	<u>2,031,204</u>
Increase (decrease) in net assets	103,895	(20,285)
Net assets, beginning of year	<u>239,746</u>	<u>260,031</u>
Net assets, end of year	<u>\$ 343,641</u>	<u>239,746</u>

See accompanying notes to financial statements.

MONTESSORI ACADEMY AT GEIST, INC.

Statements of Cash Flows

	<u>Year Ended June 30</u>	
	<u>2015</u>	<u>2014</u>
<u>Operating Activities</u>		
Change in net assets	\$ 103,895	(20,285)
Adjustments to reconcile change in net assets to net cash from provided by operating activities:		
Depreciation	43,152	58,012
Change in:		
Accounts receivable	(4,323)	(7,725)
Prepaid expense	(5,121)	(16,251)
Accounts payable and accrued expenses	34,289	(27,390)
Deferred revenue	(13,936)	8,834
Refundable advances	22	10,000
Net cash provided by operating activities	<u>157,978</u>	<u>5,195</u>
<u>Investing Activities</u>		
Purchases of property and equipment	(14,484)	(140,517)
Net cash used by investing activities	<u>(14,484)</u>	<u>(140,517)</u>
Net increase (decrease) in cash	143,494	(135,322)
Cash, beginning of year	<u>103,820</u>	<u>239,142</u>
Cash, end of year	<u>\$ 247,314</u>	<u>103,820</u>

See accompanying notes to financial statements.

MONTESSORI ACADEMY AT GEIST, INC.

Notes to Financial Statements

June 30, 2015 and 2014

(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 350 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 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 programs and legislation enacted by the State of Indiana. The School believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

MONTESSORI ACADEMY AT GEIST, INC.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Taxes on Income

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, 2015 and 2014, 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 2011 are open to audit for both federal and state purposes.

Property and Equipment

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

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

Leasehold improvements.....	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.

MONTESSORI ACADEMY AT GEIST, INC.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Subsequent Events

The School evaluated subsequent events through February 3, 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.

(2) 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, 2015 and 2014 were \$400,449 and \$373,010, 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:

2016	\$ 394,897
2017	394,897
2018	262,897
2019	257,303
2020	64,199

(3) 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 2015 and 2014. Retirement plan expense for the years ended June 30, 2015 and 2014 was \$11,658 and \$354, respectively. In 2014, the School used forfeitures to offset a majority of the retirement plan expense.

MONTESSORI ACADEMY AT GEIST, INC.

Notes to Financial Statements

(4) 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 \$42,435 and \$42,129 for the years ended June 30, 2015 and 2014, respectively. The charter remains in effect until June 30, 2016, and is renewable thereafter by mutual consent.

(5) 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

(6) 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. Following is a summary of expenses comprising each program and service for the years ended June 30, 2015 and 2014:

	<u>2015</u>	
	<u>Program Services</u>	<u>Management and General</u>
Salaries and wages.....	\$ 911,501	223,490
Employee benefits	151,056	49,691
Professional services	149,802	42,307
Authorizer oversight fee	-	46,134
Staff development and recruitment	36,921	175
Food costs.....	2,554	-
Property rental and equipment	20,195	-
Classroom, kitchen and office supplies.....	48,606	13,256
Occupancy	432,840	-
Depreciation	43,152	-
Advertising	-	3,250
Insurance	-	24,856
Repairs and maintenance.....	736	-
Other	<u>22,105</u>	<u>17,469</u>
	<u>\$1,819,468</u>	<u>420,628</u>

MONTESSORI ACADEMY AT GEIST, INC.

Notes to Financial Statements

(6) Functional Expense Reporting, Continued

	<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.

Other Reports

Year Ended June 30, 2015

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*.