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February 7, 2018


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

We have reviewed the report prepared by Montessori Academy at Geist, Inc. and opined upon by Donovan CPAs, Independent Public Accountants, for the period July 1, 2016 to June 30, 2017. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Montessori Academy at Geist, Inc. as of June 30, 2017 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Donovan CPAs prepared all required independent auditor's reports in accordance with generally accepted auditing standards and 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. 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, CPA
State Examiner

MONTESSORI ACADEMY AT GEIST, INC.

FINANCIAL STATEMENTS

Together with Independent Auditors' Report

For the Years Ended June 30, 2017 and 2016



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Donovan CPAs

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, 2017 and 2016, 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.

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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, 2017 and 2016, 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 14, 2017

MONTESSORI ACADEMY AT GEIST, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 2,338,340	\$ 2,728,959
Accounts receivable	9,059	7,549
Due from affiliated entity	67,207	29,933
Prepaid expenses	38,126	38,126
<i>Total current assets</i>	<u>2,452,732</u>	<u>2,804,567</u>
PROPERTY AND EQUIPMENT		
Land	557,659	-
Leasehold improvements	184,893	163,687
Furniture and equipment	287,720	282,745
Textbooks	11,172	11,172
Less: accumulated depreciation	<u>(335,224)</u>	<u>(304,126)</u>
<i>Property and equipment, net</i>	<u>706,220</u>	<u>153,478</u>
OTHER ASSETS		
Security deposit	<u>11,000</u>	<u>11,000</u>
TOTAL ASSETS	<u><u>\$ 3,169,952</u></u>	<u><u>\$ 2,969,045</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of note payable	\$ 218,137	\$ 109,068
Accounts payable and accrued expenses	85,284	85,999
Deferred revenue	40,628	43,023
Refundable advances	<u>17,166</u>	<u>12,000</u>
<i>Total current liabilities</i>	361,215	250,090
NOTE PAYABLE, NET OF CURRENT PORTION	<u>1,854,163</u>	<u>2,072,300</u>
<i>Total liabilities</i>	2,215,378	2,322,390
NET ASSETS, UNRESTRICTED	<u>954,574</u>	<u>646,655</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,169,952</u></u>	<u><u>\$ 2,969,045</u></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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
REVENUE AND SUPPORT		
State education support	\$ 2,282,495	\$ 2,203,291
Grant revenue	354,692	241,169
Student fees	76,072	79,505
Other income	59,940	112,457
	<hr/>	<hr/>
<i>Total revenue and support</i>	2,773,199	2,636,422
	<hr/>	<hr/>
EXPENSES		
Program services	1,960,825	1,897,888
Management and general	504,455	435,520
	<hr/>	<hr/>
<i>Total expenses</i>	2,465,280	2,333,408
	<hr/>	<hr/>
CHANGE IN NET ASSETS	307,919	303,014
NET ASSETS, BEGINNING OF YEAR	<hr/> 646,655	<hr/> 343,641
NET ASSETS, END OF YEAR	<u>\$ 954,574</u>	<u>\$ 646,655</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, 2017 and 2016

	2017			2016		
	Program	Management and General	Total	Program	Management and General	Total
FUNCTIONAL EXPENSES						
Salaries and wages	\$ 1,067,196	\$ 274,815	\$ 1,342,011	\$ 977,645	\$ 249,633	\$ 1,227,278
Employee benefits	166,156	62,232	228,388	170,978	63,466	234,444
Professional services	169,994	15,693	185,687	148,362	10,564	158,926
Authorizer oversight fees	-	56,819	56,819	-	53,839	53,839
Staff development and recruitment	31,440	-	31,440	16,725	-	16,725
Food costs	2,802	-	2,802	3,093	-	3,093
Property rental and equipment	14,577	-	14,577	23,526	-	23,526
Classroom, kitchen, and office supplies	77,358	460	77,818	76,912	6,251	83,163
Occupancy	385,143	-	385,143	423,148	-	423,148
Depreciation	31,098	-	31,098	35,786	-	35,786
Advertising	-	-	-	-	7,074	7,074
Insurance	-	27,963	27,963	-	25,621	25,621
Interest	-	22,195	22,195	-	-	-
Repairs and maintenance	1,475	-	1,475	2,494	-	2,494
Other	13,586	44,278	57,864	19,219	19,072	38,291
<i>Total functional expenses</i>	\$ 1,960,825	\$ 504,455	\$ 2,465,280	\$ 1,897,888	\$ 435,520	\$ 2,333,408

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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 307,919	\$ 303,014
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	31,098	35,786
Change in certain assets and liabilities:		
Accounts receivable	(1,510)	(3,440)
Due from affiliated entity	(37,274)	(21,994)
Accounts payable and accrued expenses	(715)	(14,302)
Deferred revenue	(2,395)	32,856
Refundable advances	5,166	1,978
	<hr/>	<hr/>
<i>Net cash provided by operating activities</i>	302,289	333,898
	<hr/>	<hr/>
INVESTING ACTIVITIES		
Purchases of property and equipment	(583,840)	(33,621)
	<hr/>	<hr/>
FINANCING ACTIVITIES		
Proceeds from note payable	-	2,181,368
Principal payments on note payable	(109,068)	-
	<hr/>	<hr/>
<i>Net cash provided by (used in) financing activities</i>	(109,068)	2,181,368
	<hr/>	<hr/>
NET CHANGE IN CASH	(390,619)	2,481,645
	<hr/>	<hr/>
CASH, BEGINNING OF YEAR	2,728,959	247,314
	<hr/>	<hr/>
CASH, END OF YEAR	<u>\$ 2,338,340</u>	<u>\$ 2,728,959</u>
	<hr/>	<hr/>
SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 11,833	\$ -

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, 2017 and 2016

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

Due from Affiliated Entity – The School pays expenses and salaries for the Geist Montessori Pre-Kindergarten ("Pre-K") program, which is a separate entity from the School. Several times during the year, Pre-K pays the School the balance of the account. In addition, Pre-K's annual net revenues in excess of expenses is contributed to the School and reported in other income (\$50,000 and \$48,846 for 2017 and 2016, respectively). As of June 30, 2017 and 2016, Pre-K owes the School \$67,207 and \$29,933, respectively.

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, 2017 and 2016, 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 2013 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, 2017 and 2016

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	9 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.

Reclassifications – Certain expenses on the statement of functional expenses for the year ended June 30, 2016 have been reclassified to match the 2017 presentation. The reclassifications had no effect on net assets as previously stated.

Subsequent Events – The School evaluated subsequent events through December 14, 2017, 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:

	<u>2017</u>	<u>2016</u>
Note payable to State Board of Education, payable \$109,068 semi-annually (January 1 and July 1) plus interest at 1.00% per annum.	\$ 2,072,300	\$ 2,181,368
Less: current portion	<u>(218,137)</u>	<u>(109,068)</u>
Long-term portion	<u>\$ 1,854,163</u>	<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.

MONTESSORI ACADEMY AT GEIST, INC
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2017 and 2016

NOTE 2 - NOTE PAYABLE, Continued

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

2018	\$	218,137
2019		218,137
2020		218,137
2021		218,137
2022		218,137
Thereafter		<u>981,615</u>
	\$	<u><u>2,072,300</u></u>

NOTE 3 - REFUNDABLE ADVANCES

The School has been awarded grants 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, 2017 and 2016, the School had refundable grant advances in excess of expenditures of \$17,166 and \$12,000, respectively.

NOTE 4 - 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, 2017 and 2016 were \$363,574 and \$392,828, 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:

2018	\$	387,499
2019		318,499
2020		61,358

NOTE 5 - 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 2017 and 2016. Retirement plan expense for the years ended June 30, 2017 and 2016 was \$31,940 and \$30,973, respectively.

MONTESSORI ACADEMY AT GEIST, INC
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2017 and 2016

NOTE 6 - 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 \$56,819 and \$53,839 for the years ended June 30, 2017 and 2016, respectively. The charter remains in effect until June 30, 2021, and is renewable thereafter by mutual consent.

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, 2017

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*.