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January 9, 2019


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, 2017 to June 30, 2018. 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, 2018 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, 2018 and 2017



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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, 2018 and 2017, 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, 2018 and 2017, 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, looped initial "D".

Indianapolis, Indiana
December 12, 2018

MONTESSORI ACADEMY AT GEIST, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 2,426,624	\$ 2,338,340
Accounts receivable	11,457	9,059
Due from affiliated entity	5,103	67,207
Prepaid expenses	<u>38,126</u>	<u>38,126</u>
<i>Total current assets</i>	<u>2,481,310</u>	<u>2,452,732</u>
PROPERTY AND EQUIPMENT		
Land and construction in process	632,185	557,659
Leasehold improvements	184,893	184,893
Furniture and equipment	287,720	287,720
Textbooks	11,172	11,172
Less: accumulated depreciation	<u>(358,410)</u>	<u>(335,224)</u>
<i>Property and equipment, net</i>	<u>757,560</u>	<u>706,220</u>
OTHER ASSETS		
Security deposit	<u>11,000</u>	<u>11,000</u>
TOTAL ASSETS	<u>\$ 3,249,870</u>	<u>\$ 3,169,952</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of note payable	\$ 218,137	\$ 218,137
Accounts payable and accrued expenses	111,916	85,284
Deferred revenue	49,845	40,628
Refundable advances	<u>10,375</u>	<u>17,166</u>
<i>Total current liabilities</i>	390,273	361,215
NOTE PAYABLE, NET OF CURRENT PORTION	<u>1,636,026</u>	<u>1,854,163</u>
<i>Total liabilities</i>	2,026,299	2,215,378
NET ASSETS, UNRESTRICTED	<u>1,223,571</u>	<u>954,574</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,249,870</u>	<u>\$ 3,169,952</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
REVENUE AND SUPPORT		
State education support	\$ 2,325,654	\$ 2,282,495
Grant revenue	327,911	354,692
Student fees	79,370	76,072
Investment income	12,093	3,437
Other income	<u>68,938</u>	<u>56,503</u>
<i>Total revenue and support</i>	<u>2,813,966</u>	<u>2,773,199</u>
EXPENSES		
Program services	2,067,327	1,960,825
Management and general	<u>477,642</u>	<u>504,455</u>
<i>Total expenses</i>	<u>2,544,969</u>	<u>2,465,280</u>
CHANGE IN NET ASSETS	268,997	307,919
NET ASSETS, BEGINNING OF YEAR	<u>954,574</u>	<u>646,655</u>
NET ASSETS, END OF YEAR	<u>\$ 1,223,571</u>	<u>\$ 954,574</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, 2018 and 2017

	2018			2017		
	Program	Management and General	Total	Program	Management and General	Total
FUNCTIONAL EXPENSES						
Salaries and wages	\$ 1,134,377	\$ 289,106	\$ 1,423,483	\$ 1,067,196	\$ 274,815	\$ 1,342,011
Employee benefits	178,504	54,505	233,009	166,156	62,232	228,388
Professional services	171,340	22,473	193,813	169,994	15,693	185,687
Authorizer oversight fees	-	58,909	58,909	-	56,819	56,819
Staff development and recruitment	15,071	-	15,071	31,440	-	31,440
Food costs	2,687	-	2,687	2,802	-	2,802
Property rental and equipment	23,895	-	23,895	14,577	-	14,577
Classroom, kitchen, and office supplies	83,264	156	83,420	77,358	460	77,818
Occupancy	414,856	-	414,856	385,143	-	385,143
Depreciation	23,186	-	23,186	31,098	-	31,098
Insurance	-	20,208	20,208	-	27,963	27,963
Interest	-	19,087	19,087	-	22,195	22,195
Repairs and maintenance	2,972	-	2,972	1,475	-	1,475
Other	17,175	13,198	30,373	13,586	44,278	57,864
<i>Total functional expenses</i>	<u>\$ 2,067,327</u>	<u>\$ 477,642</u>	<u>\$ 2,544,969</u>	<u>\$ 1,960,825</u>	<u>\$ 504,455</u>	<u>\$ 2,465,280</u>

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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 268,997	\$ 307,919
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	23,186	31,098
Change in certain assets and liabilities:		
Accounts receivable	(2,398)	(1,510)
Due from affiliated entity	62,104	(37,274)
Accounts payable and accrued expenses	26,632	(715)
Deferred revenue	9,217	(2,395)
Refundable advances	<u>(6,791)</u>	<u>5,166</u>
 <i>Net cash provided by operating activities</i>	 380,947	 302,289
INVESTING ACTIVITIES		
Purchases of property and equipment	(74,526)	(583,840)
FINANCING ACTIVITIES		
Principal payments on note payable	<u>(218,137)</u>	<u>(109,068)</u>
NET CHANGE IN CASH	88,284	(390,619)
CASH, BEGINNING OF YEAR	<u>2,338,340</u>	<u>2,728,959</u>
CASH, END OF YEAR	<u><u>\$ 2,426,624</u></u>	<u><u>\$ 2,338,340</u></u>
 SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 20,178	\$ 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, 2018 and 2017

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 370 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 (\$55,000 and \$50,000 for 2018 and 2017, respectively). As of June 30, 2018 and 2017, Pre-K owes the School \$5,103 and \$67,207, 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, 2018 and 2017, 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 2014 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, 2018 and 2017

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.

Subsequent Events – The School evaluated subsequent events through December 12, 2018, 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>2018</u>	<u>2017</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.	\$ 1,854,163	\$ 2,072,300
Less: current portion	<u>(218,137)</u>	<u>(218,137)</u>
Long-term portion	<u>\$ 1,636,026</u>	<u>\$ 1,854,163</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, 2018 and 2017

NOTE 2 - NOTE PAYABLE, Continued

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

2019	\$ 218,137
2020	218,137
2021	218,137
2022	218,137
2023	218,137
Thereafter	<u>763,478</u>
	<u>\$ 1,854,163</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, 2018 and 2017, the School had refundable grant advances in excess of expenditures of \$10,375 and \$17,166, respectively.

NOTE 4 - LEASES

The School leases its education facilities and 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, 2018 and 2017 were \$381,972 and \$363,574, 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:

2019	\$ 319,272
2020	67,725
2021	6,876

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 2018 and 2017. Retirement plan expense for the years ended June 30, 2018 and 2017 was \$34,455 and \$31,940, respectively.

MONTESSORI ACADEMY AT GEIST, INC
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017

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 \$58,909 and \$56,819 for the years ended June 30, 2018 and 2017, respectively. The charter remains in effect until June 30, 2021, and is renewable thereafter by mutual consent.

During December 2017, the School entered into a contract with Lauth Group for the preconstruction phase for a new school facility. The contract is for \$250,000, of which no payments had been made as of June 30, 2018. The cost of the new facility is estimated to be \$5,750,000, with anticipated bank financing of \$4,500,000. Groundbreaking for the new facility is scheduled for December 2018.

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 and change in net assets. Accordingly, certain expenses have been allocated between program services and management and general expenses.

MONTESSORI ACADEMY AT GEIST, INC
OTHER REPORT
For the Year Ended June 30, 2018

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*.