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May 4, 2016

Charter School Board  
The Bloomington Project School, Inc.  
349 South Walnut Street  
Bloomington, IN 47401

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 Bloomington Project School, 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 The Bloomington Project School, 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

**THE BLOOMINGTON PROJECT SCHOOL, INC.**

**FINANCIAL STATEMENTS**

Together with Independent Auditor's Report

For the Years Ended June 30, 2015 and 2014



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### ***Independent Auditor's Report***

To the Board of Directors  
The Bloomington Project School, Inc.  
349 South Walnut Street  
Bloomington, IN 47401

We have audited the accompanying financial statements of The Bloomington Project School, Inc., which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and changes in net assets, 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 of 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 The Bloomington Project School, 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

A handwritten signature in dark ink that reads "DONOVAN". The signature is written in a cursive style with a large, stylized 'D'.

April 15, 2016  
Indianapolis, Indiana

**THE BLOOMINGTON PROJECT SCHOOL, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 157,425	\$ 183,954
Grants receivable	4,825	10,422
Prepaid expenses	7,344	7,344
	<u>169,594</u>	<u>201,720</u>
<i>Total current assets</i>		
<b>PROPERTY AND EQUIPMENT</b>		
Buildings and improvements	2,222,431	2,222,431
Furniture and equipment	478,591	478,591
Textbooks	77,316	77,316
Less: accumulated depreciation	(960,015)	(818,167)
	<u>1,818,323</u>	<u>1,960,171</u>
<i>Property and equipment, net</i>		
<b>OTHER ASSETS</b>		
Security deposit	10,000	10,000
	<u>10,000</u>	<u>10,000</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,997,917</u>	<u>\$ 2,171,891</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 29,746	\$ 16,146
Accrued expenses	269,348	177,901
Current portion of notes payable	74,252	102,245
Refundable advances	-	2,399
	<u>373,346</u>	<u>298,691</u>
<i>Total current liabilities</i>		
<b>LONG-TERM LIABILITIES</b>		
Deferred rent payable	40,500	50,625
Notes payable, net of current portion	1,694,103	1,767,148
	<u>1,734,603</u>	<u>1,817,773</u>
<i>Total long-term liabilities</i>		
<b>TOTAL LIABILITIES</b>	2,107,949	2,116,464
<b>NET ASSETS (DEFICIENCY)</b>		
Unrestricted	(201,422)	(5,498)
Temporarily restricted	91,390	60,925
	<u>(110,032)</u>	<u>55,427</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 1,997,917</u>	<u>\$ 2,171,891</u>

See independent auditor's report and accompanying notes to financial statements

**THE BLOOMINGTON PROJECT SCHOOL, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**For the Years Ended June 30, 2015 and 2014**

	<b>2015</b>			<b>2014</b>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>						
State education support	\$ 1,647,190	\$ -	\$ 1,647,190	\$ 1,646,684	\$ -	\$ 1,646,684
Grant revenue	191,103	-	191,103	214,225	-	214,225
Student fees	84,177	-	84,177	40,843	-	40,843
Contributions	133,782	30,465	164,247	191,159	-	191,159
Fundraising income	-	-	-	40,209	-	40,209
Other income	139,918	-	139,918	55,743	-	55,743
Net assets released from restrictions	-	-	-	61,737	(61,737)	-
<i>Total revenue and support</i>	<u>2,196,170</u>	<u>30,465</u>	<u>2,226,635</u>	<u>2,250,600</u>	<u>(61,737)</u>	<u>2,188,863</u>
<b>EXPENSES</b>						
Program services	1,779,031	-	1,779,031	1,788,165	-	1,788,165
Management and general	613,063	-	613,063	568,605	-	568,605
<i>Total expenses</i>	<u>2,392,094</u>	<u>-</u>	<u>2,392,094</u>	<u>2,356,770</u>	<u>-</u>	<u>2,356,770</u>
<b>CHANGE IN NET ASSETS</b>	(195,924)	30,465	(165,459)	(106,170)	(61,737)	(167,907)
<b>NET ASSETS (DEFICIENCY), BEGINNING OF YEAR</b>	<u>(5,498)</u>	<u>60,925</u>	<u>55,427</u>	<u>100,672</u>	<u>122,662</u>	<u>223,334</u>
<b>NET ASSETS (DEFICIENCY), END OF YEAR</b>	<u><u>\$ (201,422)</u></u>	<u><u>\$ 91,390</u></u>	<u><u>\$ (110,032)</u></u>	<u><u>\$ (5,498)</u></u>	<u><u>\$ 60,925</u></u>	<u><u>\$ 55,427</u></u>

See independent auditor's report and accompanying notes to financial statements

**THE BLOOMINGTON PROJECT SCHOOL, INC.**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ (165,459)	\$ (167,907)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	141,848	177,443
Changes in certain assets and liabilities		
Grants receivable	5,597	2,507
Prepaid expenses	-	20,123
Accounts payable	13,600	(113,236)
Accrued expenses	91,447	177,901
Refundable advances	(2,399)	(2,225)
Deferred rent payable	(10,125)	(10,124)
	<u>74,509</u>	<u>84,482</u>
<b>FINANCING ACTIVITIES</b>		
Principal repayment of long-term debt	<u>(101,038)</u>	<u>(95,227)</u>
<b>NET CHANGE IN CASH</b>	(26,529)	(10,745)
<b>CASH, BEGINNING OF YEAR</b>	<u>183,954</u>	<u>194,699</u>
<b>CASH, END OF YEAR</b>	<u>\$ 157,425</u>	<u>\$ 183,954</u>
<b>SUPPLEMENTAL INFORMATION</b>		
Cash paid for interest	<u>\$ 121,639</u>	<u>\$ 118,779</u>

See independent auditor's report and accompanying notes to financial statements

**THE BLOOMINGTON PROJECT SCHOOL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2015 and 2014**

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

Nature of Operations – The Bloomington Project School, Inc. (the “School”) is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates as a public charter school established under Indiana Code 20-24 and is sponsored by Ball State University.

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 amount 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 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.

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.

Grants Receivable – Grants 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.

Contributions Received – Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The School reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restriction.

**THE BLOOMINGTON PROJECT SCHOOL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2015 and 2014**

**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, minor replacement costs, and equipment purchases with a unit cost of less than \$500 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	30 years
Furniture and equipment	3 to 5 years
Textbooks	4 years

Taxes on Income – The Bloomington Project School, 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; 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 the a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. Tax years ending after 2012 are open to audit for both federal and state purposes.

Subsequent Events – The School evaluated subsequent events through April 15, 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.

**THE BLOOMINGTON PROJECT SCHOOL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2015 and 2014**

**NOTE 2 - NOTES PAYABLE**

Notes payable consisted of the following as of June 30:

	<u><b>2015</b></u>	<u><b>2014</b></u>
Note payable to Indiana Finance Authority	\$ 597,938	\$ 696,476
Note payable to IFF	1,160,000	1,160,000
Note Payable to Bloomington Urban Enterprise Association	10,417	12,917
	1,768,355	1,869,393
Less current portion	(74,252)	(102,245)
Long-term notes payable	\$ 1,694,103	\$ 1,767,148

Indiana Finance Authority Note Payable - The note payable to Indiana Finance Authority is payable in quarterly installments of \$33,775, including interest at 5.5% per annum. The loan was funded through the sale of Qualified School Construction Bonds, which provide for the interest to be subsidized by the Federal Government. The loan is subordinate to the obligation to IFF.

IFF Note Payable - The note payable to IFF requires interest only to be paid monthly at a rate of 6.5% per annum, with the principal balance due at the maturity date of August 15, 2017. The note is secured by a leasehold mortgage, and furniture and fixtures.

Bloomington Urban Enterprise Association Note Payable - The note payable to Bloomington Urban Enterprise Association is payable in monthly installments of \$208, with the unpaid balance due on August 1, 2019. The note is unsecured and non-interest bearing.

Principal maturities of long-term debt are as follows for the years ending June 30:

2016	\$ 74,252
2017	45,426
2018	1,207,874
2019	50,461
2020	51,113
Thereafter	339,229
Total	\$ 1,768,355

**THE BLOOMINGTON PROJECT SCHOOL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2015 and 2014**

**NOTE 3 - LEASES**

The school leases its school facility under an operating lease. The lease expires June 30, 2019 and requires annual rent payments of \$88,125. The School has the option to renew the lease for four additional five-year periods. In the initial stages of the lease, the School was allowed certain rent concessions and has, therefore, recorded a deferred credit to reflect the excess of rent expense over cash payments for that period of time. The School also rents certain items of office equipment under operating leases.

Expense under operating leases for the year ended June 30, 2015 and 2014 was \$94,626 and \$95,923, respectively. Future minimum lease obligations for non-cancelable operating leases with initial lease terms in excess of one year are as follows for the year ended June 30:

2016	\$	93,948
2017		93,006
2018		92,950
2019		88,125

**NOTE 4 – REFUNDABLE ADVANCES**

The School has been awarded grants from the Indiana Department of Education to provide education instruction. The grants are considered to be exchange transactions. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. At June 30, 2014, the School had a refundable grant advance in excess of expenditures of \$2,399.

**NOTE 5 – RETIREMENT PLANS**

Retirement benefits for School employees are provided by the Indiana State Teachers' Retirement Fund ("TRF") and the Indiana Public Employees' Retirement Fund ("PERF"), both of which are cost-sharing multiple-employer defined benefit retirement plans governed by the State of Indiana and administrated by the Indiana Public Retirement System ("INPRS") Board. Contribution requirements of plan members are established by the INPRS Board. Under the plans, the School contributes 7.5% of compensation for teaching faculty to TRF and 8.75% of compensation for other employees of PERF. Substantially all full-time employees are eligible to participate. In lieu of TRF, teaching faculty can elect benefits under a 403(b) plan, where the School contributes 7.5% of compensation. Retirement plan expense was \$92,457 and \$69,258 for the years ended June 30, 2015 and 2014, respectively.

**THE BLOOMINGTON PROJECT SCHOOL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2015 and 2014**

**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. Payments under this charter agreement were \$35,779 and \$35,063 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.

**NOTE 7 – RISKS AND UNCERTAINTIES**

The School provides education instruction services to families residing in Monroe 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. At June 30, 2015, substantially all of the receivable balance was due from the State of Indiana.

**NOTE 8 – RESTRICTED NET ASSETS**

As of both June 30, 2015 and June 30, 2014, the School shared an employee identification number with The Bloomington Project School, Inc. d/b/a The Project School Foundation (the "Foundation"). Contributions to the Foundation are recorded as temporarily restricted, and withdrawals from the Foundation account are recorded as net assets released from restriction. The cash balance in the Foundation's checking account is tracked in a separate account from the School's operating cash accounts, and is reflected as temporarily restricted net assets on the statements of financial position. The Foundation's cash balance and the balance in temporarily restricted net assets was \$91,390 and \$60,925 as of June 30, 2015 and 2014, respectively. Subsequent to June 30, 2015, the Foundation obtained a separate employee identification number from the School, and the balances were removed from the School's accounting records.

**THE BLOOMINGTON PROJECT SCHOOL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2015 and 2014**

**NOTE 9 – FUNCTIONAL EXPENSE REPORTING**

The costs of providing the education activities have been summarized on a functional basis in the statement 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.

For the year ended June 30, 2015:

	<u>Program Services</u>	<u>Management and General</u>
Salaries and wages	\$ 1,047,426	\$ 280,529
Employee benefits	240,587	81,148
Occupancy	146,667	-
Depreciation	141,848	-
Food costs	64,464	-
Professional services	40,073	60,580
Transportation	39,495	-
Operational supplies	30,520	5,341
Other	15,484	8,454
Repairs and maintenance	8,422	-
Staff development and recruitment	4,031	189
Equipment	14	-
Interest	-	121,639
Authorizer oversight fees	-	35,779
Insurance	-	19,404
	<hr/>	<hr/>
Total	\$ <u>1,779,031</u>	\$ <u>613,063</u>

**THE BLOOMINGTON PROJECT SCHOOL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2015 and 2014**

**NOTE 9 – FUNCTIONAL EXPENSE REPORTING (Continued)**

For the year ended June 30, 2014:

	<u>Program Services</u>	<u>Management and General</u>
Salaries and wages	\$ 947,758	\$ 272,144
Employee benefits	266,923	31,828
Depreciation	177,443	-
Occupancy	133,071	-
Food costs	60,794	-
Other	52,822	7,806
Professional services	50,824	80,298
Transportation	35,000	-
Operational supplies	25,845	6,137
Staff development and recruitment	13,731	-
Equipment	12,900	-
Repairs and maintenance	11,052	-
Interest	-	118,779
Authorizer oversight fees	-	34,953
Insurance	-	16,660
	<hr/>	<hr/>
Total	\$ <u>1,788,163</u>	\$ <u>568,605</u>

**NOTE 10 – RECLASSIFICATIONS**

Certain amounts in the prior periods presented have been reclassified to conform to the current period financial statement presentation. These reclassifications have no effect on previously reported net income and net assets.

**THE BLOOMINGTON PROJECT SCHOOL, INC.**  
**OTHER REPORTS**  
**June 30, 2015 and 2014**

The report presented herein was prepared in addition to another official report prepared for the School as listed below:

Supplemental Audit Report of The Bloomington Project School, 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*.