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November 16, 2016

Charter School Board
The Bloomington Project School
349 S Walnut St
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, 2015 to June 30, 2016. 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, as of June 30, 2016, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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 Auditors' Report

For the Years Ended June 30, 2016 and 2015



TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position.....	3
Statements of Activities and Change in Net Assets	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to the Financial Statements.....	7 - 10



Independent Auditors' 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, 2016 and 2015, and 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 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 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 The Bloomington Project School, Inc. as of June 30, 2016 and 2015, and the changes in its net assets, its functional expenses, 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 initial "D". The signature is placed over a light green rectangular background.

November 7, 2016
Indianapolis, Indiana

THE BLOOMINGTON PROJECT SCHOOL, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 80,484	\$ 157,425
Grants receivable	6,066	4,825
Prepaid expenses	<u>7,344</u>	<u>7,344</u>
<i>Total current assets</i>	<u>93,894</u>	<u>169,594</u>
PROPERTY AND EQUIPMENT		
Buildings and improvements	2,222,431	2,222,431
Furniture and equipment	478,591	478,591
Textbooks	77,316	77,316
Less: accumulated depreciation	<u>(1,041,821)</u>	<u>(960,015)</u>
<i>Property and equipment, net</i>	<u>1,736,517</u>	<u>1,818,323</u>
OTHER ASSETS		
Security deposit	<u>10,000</u>	<u>10,000</u>
TOTAL ASSETS	<u><u>\$ 1,840,411</u></u>	<u><u>\$ 1,997,917</u></u>
LIABILITIES AND NET ASSETS (DEFICIT)		
CURRENT LIABILITIES		
Current portion of notes payable	\$ 51,946	\$ 74,252
Accounts payable	30,109	29,746
Accrued expenses	<u>100,266</u>	<u>269,348</u>
<i>Total current liabilities</i>	<u>182,321</u>	<u>373,346</u>
LONG-TERM LIABILITIES		
Deferred rent payable	30,375	40,500
Notes payable, net of current portion	<u>1,707,524</u>	<u>1,694,103</u>
<i>Total long-term liabilities</i>	<u>1,737,899</u>	<u>1,734,603</u>
<i>Total liabilities</i>	<u>1,920,220</u>	<u>2,107,949</u>
NET ASSETS (DEFICIT)		
Unrestricted	(79,809)	(201,422)
Temporarily restricted	<u>-</u>	<u>91,390</u>
<i>Total net assets (deficit)</i>	<u>(79,809)</u>	<u>(110,032)</u>
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	<u><u>\$ 1,840,411</u></u>	<u><u>\$ 1,997,917</u></u>

See independent auditors' report and accompanying notes to the financial statements

THE BLOOMINGTON PROJECT SCHOOL, INC.
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
For the Years Ended June 30, 2016 and 2015

	<u>2016</u>			<u>2015</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT						
State education support	\$ 1,708,649	\$ -	\$ 1,708,649	\$ 1,647,190	\$ -	\$ 1,647,190
Grant revenue	355,050	-	355,050	191,103	-	191,103
Student fees	84,717	-	84,717	84,177	-	84,177
Contributions	137,069	-	137,069	133,782	30,465	164,247
Other income	43,263	-	43,263	139,918	-	139,918
<i>Total revenue and support</i>	<u>2,328,748</u>	<u>-</u>	<u>2,328,748</u>	<u>2,196,170</u>	<u>30,465</u>	<u>2,226,635</u>
EXPENSES						
Program services	1,669,018	-	1,669,018	1,779,031	-	1,779,031
Management and general	538,117	-	538,117	613,063	-	613,063
<i>Total expenses</i>	<u>2,207,135</u>	<u>-</u>	<u>2,207,135</u>	<u>2,392,094</u>	<u>-</u>	<u>2,392,094</u>
CHANGE IN NET ASSETS	121,613	-	121,613	(195,924)	30,465	(165,459)
NET ASSETS, BEGINNING OF YEAR	(201,422)	91,390	(110,032)	(5,498)	60,925	55,427
DISTRIBUTION TO FOUNDATION	<u>-</u>	<u>(91,390)</u>	<u>(91,390)</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS, END OF YEAR	<u>\$ (79,809)</u>	<u>\$ -</u>	<u>\$ (79,809)</u>	<u>\$ (201,422)</u>	<u>\$ 91,390</u>	<u>\$ (110,032)</u>

See independent auditors' report and accompanying notes to the financial statements

THE BLOOMINGTON PROJECT SCHOOL, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2016 and 2015

	2016			2015		
	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
FUNCTIONAL EXPENSES						
Salaries and wages	\$ 891,822	\$ 222,243	\$ 1,114,065	\$ 1,047,426	\$ 280,529	\$ 1,327,955
Employee benefits	229,281	89,117	318,398	240,587	81,148	321,735
Staff development	6,332	-	6,332	4,031	189	4,220
Professional services	56,797	46,260	103,057	40,073	60,580	100,653
Repairs and maintenance	22,393	-	22,393	8,422	-	8,422
Authorizer oversight fees	-	31,240	31,240	-	35,779	35,779
Food costs	58,775	-	58,775	64,464	-	64,464
Transportation	39,775	-	39,775	39,495	-	39,495
Equipment	42,945	-	42,945	14	-	14
Classroom, kitchen, and office supplies	34,556	2,576	37,132	30,520	5,341	35,861
Occupancy	171,412	-	171,412	146,667	-	146,667
Depreciation	81,806	-	81,806	141,848	-	141,848
Interest	-	113,338	113,338	-	121,639	121,639
Insurance	-	17,957	17,957	-	19,404	19,404
Other	33,124	15,386	48,510	15,484	8,454	23,938
<i>Total functional expenses</i>	<u>\$ 1,669,018</u>	<u>\$ 538,117</u>	<u>\$ 2,207,135</u>	<u>\$ 1,779,031</u>	<u>\$ 613,063</u>	<u>\$ 2,392,094</u>

See independent auditors' report and accompanying notes to the financial statements

THE BLOOMINGTON PROJECT SCHOOL, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 121,613	\$ (165,459)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	81,806	141,848
Changes in certain assets and liabilities:		
Grants receivable	(1,241)	5,597
Accounts payable	363	13,600
Accrued expenses	(169,082)	91,447
Refundable advances	-	(2,399)
Deferred rent payable	(10,125)	(10,125)
	<u>23,334</u>	<u>74,509</u>
<i>Net cash provided by (used in) operating activities</i>		
	<u>23,334</u>	<u>74,509</u>
INVESTING ACTIVITIES		
Distribution to Foundation	(91,390)	-
	<u>(91,390)</u>	<u>-</u>
FINANCING ACTIVITIES		
Proceeds from note payable	65,200	-
Principal repayment of notes payable	(74,085)	(101,038)
	<u>(8,885)</u>	<u>(101,038)</u>
<i>Net cash used in financing activities</i>		
	<u>(8,885)</u>	<u>(101,038)</u>
NET CHANGE IN CASH	(76,941)	(26,529)
CASH, BEGINNING OF YEAR	<u>157,425</u>	<u>183,954</u>
CASH, END OF YEAR	<u>\$ 80,484</u>	<u>\$ 157,425</u>
SUPPLEMENTAL INFORMATION		
Cash paid for interest	<u>\$ 106,248</u>	<u>\$ 121,639</u>

See independent auditors' report and accompanying notes to the financial statements

THE BLOOMINGTON PROJECT SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – 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.

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:

Buildings and improvements	30 years
Furniture and equipment	3 to 5 years
Textbooks	4 years

THE BLOOMINGTON PROJECT SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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, 2016 and 2015, 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 2012 are open to audit for both federal and state purposes.

Subsequent Events – The School evaluated subsequent events through November 7, 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.

NOTE 2 - NOTES PAYABLE

Notes payable consisted of the following as of June 30:

	<u>2016</u>	<u>2015</u>
Note payable to Indiana Finance Authority	\$ 526,353	\$ 597,938
Note payable to IFF	1,160,000	1,160,000
Note payable to Bloomington Urban Enterprise Association	7,917	10,417
Common school fund loan	65,200	-
	1,759,470	1,768,355
Less current portion	(51,946)	(74,252)
Long-term notes payable	\$ 1,707,524	\$ 1,694,103

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.

THE BLOOMINGTON PROJECT SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015

NOTE 2 - NOTES PAYABLE, Continued

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.

Common School Fund Loan - The note payable to the Indiana Common School Fund is payable in semi-annual installments of \$3,260 from January 2017 to July 2026, with interest at 1% per annum.

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

2017	\$	51,946
2018		1,214,394
2019		56,981
2020		57,634
2021		60,107
Thereafter		<u>318,408</u>
Total	\$	<u>1,759,470</u>

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 years ended June 30, 2016 and 2015 was \$102,405 and \$94,626, respectively. Future minimum lease obligations for non-cancelable operating leases with initial lease terms in excess of one year are as follows for the years ended June 30:

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

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 \$91,358 and \$92,457 for the years ended June 30, 2016 and 2015, respectively.

THE BLOOMINGTON PROJECT SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015

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 \$31,240 and \$35,779 for the years ended June 30, 2016 and 2015, respectively. The charter remains in effect until June 30, 2019, 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, 2016, substantially all of the receivable balance was due from the State of Indiana.

NOTE 8 - RESTRICTED NET ASSETS

Prior to June 30, 2016, 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 were recorded as temporarily restricted, and withdrawals from the Foundation account were recorded as net assets released from restriction. The cash balance in the Foundation's checking account was tracked in a separate account from the School's operating cash accounts, and was reflected as temporarily restricted net assets on the statements of financial position. As of January 25, 2016, the Foundation procured a separate employee identification number and the remaining cash in the account of \$91,390 was transferred to the Foundation and released from temporarily restricted net assets.

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.