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December 15, 2017

Charter School Board  
The Bloomington Project School, Inc.  
349 S Walnut St  
Bloomington, IN 47401

We have reviewed the report prepared by, The Bloomington Project School, 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 The Bloomington Project School, 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.

The report is filed with this letter 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, 2017 and 2016



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# Donovan CPAs

## *Independent Auditors' Report*

The Board of Directors  
The Bloomington Project School, Inc.

We have audited the accompanying financial statements of The Bloomington Project School, Inc., which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and change in net assets (deficit), 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, 2017 and 2016, and the changes in its net assets (deficit), 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 dark ink that reads "DONOVAN". The signature is written in a cursive style with a large, prominent initial "D".

December 5, 2017  
Indianapolis, Indiana

**THE BLOOMINGTON PROJECT SCHOOL, INC.**

**STATEMENTS OF FINANCIAL POSITION**

**June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 236,125	\$ 80,484
Grants receivable	25,446	6,066
Prepaid expenses	<u>808</u>	<u>7,344</u>
<i>Total current assets</i>	<u>262,379</u>	<u>93,894</u>
<b>PROPERTY AND EQUIPMENT</b>		
Buildings and improvements	2,222,431	2,222,431
Furniture and equipment	480,380	478,591
Textbooks	77,316	77,316
Less: accumulated depreciation	<u>(1,119,601)</u>	<u>(1,041,821)</u>
<i>Property and equipment, net</i>	<u>1,660,526</u>	<u>1,736,517</u>
<b>OTHER ASSETS</b>		
Security deposit	<u>10,000</u>	<u>10,000</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,932,905</u></u>	<u><u>\$ 1,840,411</u></u>
<b>LIABILITIES AND NET ASSETS (DEFICIT)</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of notes payable	\$ 96,121	\$ 51,946
Accounts payable	23,140	30,109
Accrued expenses	108,746	100,266
Refundable advances	<u>22,698</u>	<u>-</u>
<i>Total current liabilities</i>	<u>250,705</u>	<u>182,321</u>
<b>LONG-TERM LIABILITIES</b>		
Deferred rent payable	20,250	30,375
Notes payable, net of current portion	<u>1,602,014</u>	<u>1,707,524</u>
<i>Total long-term liabilities</i>	<u>1,622,264</u>	<u>1,737,899</u>
<i>Total liabilities</i>	1,872,969	1,920,220
<b>NET ASSETS (DEFICIT)</b>	<u>59,936</u>	<u>(79,809)</u>
<b>TOTAL LIABILITIES AND NET ASSETS (DEFICIT)</b>	<u><u>\$ 1,932,905</u></u>	<u><u>\$ 1,840,411</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 (DEFICIT)**  
**For the Years Ended June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>		
	<u>Unrestricted</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>				
State education support	\$ 1,781,519	\$ 1,708,649	\$ -	\$ 1,708,649
Grant revenue	338,083	355,050	-	355,050
Student fees	84,630	84,717	-	84,717
Contributions	120,408	137,069	-	137,069
Other income	21,578	43,263	-	43,263
<i>Total revenue and support</i>	<u>2,346,218</u>	<u>2,328,748</u>	<u>-</u>	<u>2,328,748</u>
<b>EXPENSES</b>				
Program services	1,597,474	1,659,057	-	1,659,057
Management and general	608,999	548,078	-	548,078
<i>Total expenses</i>	<u>2,206,473</u>	<u>2,207,135</u>	<u>-</u>	<u>2,207,135</u>
<b>CHANGE IN NET ASSETS</b>	139,745	121,613	-	121,613
<b>NET ASSETS (DEFICIT), BEGINNING OF YEAR</b>	(79,809)	(201,422)	91,390	(110,032)
<b>DISTRIBUTION TO FOUNDATION</b>	<u>-</u>	<u>-</u>	<u>(91,390)</u>	<u>(91,390)</u>
<b>NET ASSETS (DEFICIT), END OF YEAR</b>	<u>\$ 59,936</u>	<u>\$ (79,809)</u>	<u>\$ -</u>	<u>\$ (79,809)</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, 2017 and 2016**

	2017			2016		
	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
<b>FUNCTIONAL EXPENSES</b>						
Salaries and wages	\$ 977,664	\$ 254,543	\$ 1,232,207	\$ 891,822	\$ 222,243	\$ 1,114,065
Employee benefits	209,795	69,408	279,203	229,281	89,117	318,398
Staff development	7,283	-	7,283	6,332	-	6,332
Professional services	21,049	52,395	73,444	56,797	46,260	103,057
Repairs and maintenance	39,277	-	39,277	22,393	-	22,393
Authorizer oversight fees	-	42,434	42,434	-	41,201	41,201
Food costs	48,115	-	48,115	58,775	-	58,775
Transportation	6,047	-	6,047	39,775	-	39,775
Equipment	263	-	263	42,945	-	42,945
Classroom, kitchen, and office supplies	35,050	4,717	39,767	34,556	2,576	37,132
Occupancy	150,803	-	150,803	161,451	-	161,451
Depreciation	77,780	-	77,780	81,806	-	81,806
Interest	-	104,152	104,152	-	113,338	113,338
Insurance	-	14,858	14,858	-	17,957	17,957
Other	24,348	66,492	90,840	33,124	15,386	48,510
<i>Total functional expenses</i>	<u>\$ 1,597,474</u>	<u>\$ 608,999</u>	<u>\$ 2,206,473</u>	<u>\$ 1,659,057</u>	<u>\$ 548,078</u>	<u>\$ 2,207,135</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, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ 139,745	\$ 121,613
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	77,780	81,806
Changes in certain assets and liabilities:		
Grants receivable	(19,380)	(1,241)
Prepaid expenses	6,536	-
Accounts payable	(6,969)	363
Accrued expenses	8,480	(169,082)
Refundable advances	22,698	-
Deferred rent payable	<u>(10,125)</u>	<u>(10,125)</u>
 <i>Net cash provided by operating activities</i>	 <u>218,765</u>	 <u>23,334</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(1,789)	-
Distribution to Foundation	<u>-</u>	<u>(91,390)</u>
 <i>Net cash used in investing activities</i>	 <u>(1,789)</u>	 <u>(91,390)</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from note payable	-	65,200
Principal repayment of notes payable	<u>(61,335)</u>	<u>(74,085)</u>
 <i>Net cash used in financing activities</i>	 <u>(61,335)</u>	 <u>(8,885)</u>
<b>NET CHANGE IN CASH</b>	155,641	(76,941)
<b>CASH, BEGINNING OF YEAR</b>	<u>80,484</u>	<u>157,425</u>
<b>CASH, END OF YEAR</b>	<u><u>\$ 236,125</u></u>	<u><u>\$ 80,484</u></u>
 <b>SUPPLEMENTAL INFORMATION</b>		
Cash paid for interest	\$ 97,062	\$ 106,248

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, 2017 and 2016**

**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 amounts and disclosures. Actual results could differ from those estimates.

Financial Statement Presentation – The School reports its financial position and activities according to two classes of net assets as follows:

- Unrestricted net assets, which represent net assets that the Board of Directors has discretionary control to use in carrying on the activities of the School in accordance with its articles of incorporation and by-laws.
- Temporarily restricted net assets, which represent net assets restricted by the donor, grantor, or other outside party for a specific purpose or until the passage of time.

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.

Contributions – 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.

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.

**THE BLOOMINGTON PROJECT SCHOOL, 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, 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

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, 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.

Reclassifications – Certain figures for 2016 that were previously reported have been reclassified for comparative purposes. These reclassifications had no impact on the previously reported change in net assets.

Subsequent Events – The School evaluated subsequent events through December 5, 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 - REFUNDABLE ADVANCE**

The School has been awarded a grant from the Lilly Foundation, Inc. for the purpose of establishing comprehensive counseling services for students. The grant must be utilized for its intended purpose no later than December 31, 2017, after which any remaining unused portion of the grant is subject to reversion to the grantor organization. The unused portion of the grant is shown as a refundable advance on the statements of financial position and had a balance of \$22,698 at June 30, 2017.

**THE BLOOMINGTON PROJECT SCHOOL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2017 and 2016**

**NOTE 3 - NOTES PAYABLE**

Notes payable consisted of the following as of June 30:

	<u>2017</u>	<u>2016</u>
Note payable to Indiana Finance Authority	\$ 470,778	\$ 526,353
Note payable to IFF	1,160,000	1,160,000
Note payable to Bloomington Urban Enterprise Association	5,417	7,917
Common School Fund Loan	<u>61,940</u>	<u>65,200</u>
	1,698,135	1,759,470
Less current portion	<u>(96,121)</u>	<u>(51,946)</u>
Long-term portion	<u>\$ 1,602,014</u>	<u>\$ 1,707,524</u>

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 is payable in monthly installments of \$10,184, including interest at 6.25% per annum, with the principal balance due at the maturity date of August 1, 2032. The note is secured by a leasehold mortgage, and furniture and equipment.

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:

2018	\$ 96,121
2019	106,601
2020	110,643
2021	116,736
2022	123,658
Thereafter	<u>1,144,376</u>
Total	<u>\$ 1,698,135</u>

**THE BLOOMINGTON PROJECT SCHOOL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2017 and 2016**

**NOTE 4 - RESTRICTED NET ASSETS**

Temporarily restricted net assets represent contributions that have been received but not expended for the identified purposes or have been donated for use in future periods. At the beginning of fiscal year 2016, temporarily restricted net assets totaled \$91,390, which were purpose-restricted for contribution to the School Project Foundation, Inc. The School made this contribution in 2016, thereby releasing the funds from restriction. There were no restricted net assets as of June 30, 2017, and no funds were released from restriction in fiscal year 2017.

**NOTE 5 - 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, 2017 and 2016 was \$88,810 and \$92,444, 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 ending June 30:

2018	\$	92,950
2019		88,125

**NOTE 6 - RETIREMENT PLANS**

The School provides retirement benefits covering substantially all full-time employees. Retirement benefits 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 administered by the Indiana Public Retirement System ("INPRS") Board. Contribution requirements of plan members are determined annually by the INPRS Board. For the year ended June 30, 2017, the School contributed 7.5% of compensation for eligible teaching personnel to TRF and 7.25% for other employees to PERF. Should the School elect to withdraw from TRF or PERF, it could be subject to a withdrawal fee. The School's contributions represent an insignificant percentage of the total contributions received by TRF and PERF. As of June 30, 2016 (the latest year reported), TRF and PERF were more than 80% funded.

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 \$61,256 and \$91,358 for the years ended June 30, 2017 and 2016, respectively. The 2017 expense is net of a 403(b) forfeiture of \$32,675 applied to the School's 2017 contribution.

**THE BLOOMINGTON PROJECT SCHOOL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2017 and 2016**

**NOTE 7 - 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 \$42,434 and \$41,201 for the years ended June 30, 2017 and 2016, respectively. The charter remains in effect until June 30, 2019, and is renewable thereafter by mutual consent.

**NOTE 8 - 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, 2017, substantially all of the receivable balance was due from the State of Indiana.

**NOTE 9 - FUNCTIONAL EXPENSE REPORTING**

The costs of providing the education activities have been summarized on a functional basis in the statement of activities and change in net assets. Accordingly, certain expenses have been allocated between program and management services.