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November 26, 2018

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, 2017 to June 30, 2018. 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, 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 The Bloomington Project School, Inc., was prepared in accordance with the guidelines established by the State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.

A handwritten signature in blue ink that reads "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, 2018 and 2017



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Donovan CPAs

Independent Auditors' Report

The Board of Directors
The Bloomington Project School, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of The Bloomington Project School, Inc., which comprise the statements of financial position as of June 30, 2018 and 2017, 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, 2018 and 2017, 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".

November 16, 2018
Indianapolis, Indiana

THE BLOOMINGTON PROJECT SCHOOL, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 355,908	\$ 236,125
Grants receivable	19,405	25,446
Prepaid expenses	-	808
	375,313	262,379
<i>Total current assets</i>		
PROPERTY AND EQUIPMENT		
Buildings and improvements	2,222,431	2,222,431
Furniture and equipment	480,380	480,380
Textbooks	77,316	77,316
Less: accumulated depreciation	(1,195,373)	(1,119,601)
	1,584,754	1,660,526
<i>Property and equipment, net</i>		
OTHER ASSETS		
Security deposit	10,000	10,000
	10,000	10,000
TOTAL ASSETS	\$ 1,970,067	\$ 1,932,905
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of notes payable	\$ 101,826	\$ 96,121
Accounts payable	33,427	23,140
Accrued expenses	145,197	108,746
Refundable advances	83,577	22,698
	364,027	250,705
<i>Total current liabilities</i>		
LONG-TERM LIABILITIES		
Deferred rent payable	10,125	20,250
Notes payable, net of current portion	1,498,246	1,602,014
	1,508,371	1,622,264
<i>Total long-term liabilities</i>		
<i>Total liabilities</i>	1,872,398	1,872,969
NET ASSETS, UNRESTRICTED		
Undesignated	54,650	30,188
Invested in property and equipment, net of related debt	43,019	29,748
	97,669	59,936
<i>Total net assets, unrestricted</i>		
TOTAL LIABILITIES AND NET ASSETS	\$ 1,970,067	\$ 1,932,905

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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
REVENUE AND SUPPORT		
State education support	\$ 1,838,387	\$ 1,781,519
Grant revenue	359,087	338,083
Student fees	77,915	84,630
Contributions	126,534	120,408
Other income	50,545	21,578
	<u>2,452,468</u>	<u>2,346,218</u>
<i>Total revenue and support</i>		
EXPENSES		
Program services	1,789,670	1,597,474
Management and general	625,065	608,999
	<u>2,414,735</u>	<u>2,206,473</u>
<i>Total expenses</i>		
CHANGE IN NET ASSETS	37,733	139,745
NET ASSETS (DEFICIT), BEGINNING OF YEAR	<u>59,936</u>	<u>(79,809)</u>
NET ASSETS, END OF YEAR	<u>\$ 97,669</u>	<u>\$ 59,936</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, 2018 and 2017

	2018			2017		
	<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	\$ 1,063,798	\$ 266,178	\$ 1,329,976	\$ 977,664	\$ 254,543	\$ 1,232,207
Employee benefits	285,618	76,663	362,281	209,795	69,408	279,203
Staff development	1,887	352	2,239	7,283	-	7,283
Professional services	34,618	55,610	90,228	21,049	52,395	73,444
Repairs and maintenance	47,643	-	47,643	39,277	-	39,277
Authorizer oversight fees	-	43,993	43,993	-	42,434	42,434
Food costs	42,905	-	42,905	48,115	-	48,115
Transportation	8,499	-	8,499	6,047	-	6,047
Equipment	5,253	-	5,253	263	-	263
Classroom, kitchen, and office supplies	29,218	3,058	32,276	35,050	4,717	39,767
Occupancy	147,477	-	147,477	150,803	-	150,803
Depreciation	75,772	-	75,772	77,780	-	77,780
Interest	-	101,277	101,277	-	104,152	104,152
Insurance	-	20,354	20,354	-	14,858	14,858
Other	46,982	57,580	104,562	24,348	66,492	90,840
<i>Total functional expenses</i>	<u>\$ 1,789,670</u>	<u>\$ 625,065</u>	<u>\$ 2,414,735</u>	<u>\$ 1,597,474</u>	<u>\$ 608,999</u>	<u>\$ 2,206,473</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 37,733	\$ 139,745
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	75,772	77,780
Changes in certain assets and liabilities:		
Grants receivable	6,041	(19,380)
Prepaid expenses	808	6,536
Accounts payable	10,287	(6,969)
Accrued expenses	36,451	8,480
Refundable advances	60,879	22,698
Deferred rent payable	(10,125)	(10,125)
	<u>217,846</u>	<u>218,765</u>
<i>Net cash provided by operating activities</i>	217,846	218,765
INVESTING ACTIVITIES		
Purchase of property and equipment	-	(1,789)
FINANCING ACTIVITIES		
Principal repayment of notes payable	<u>(98,063)</u>	<u>(61,335)</u>
NET CHANGE IN CASH	119,783	155,641
CASH, BEGINNING OF YEAR	<u>236,125</u>	<u>80,484</u>
CASH, END OF YEAR	<u>\$ 355,908</u>	<u>\$ 236,125</u>
SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 101,277	\$ 97,062

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, 2018 and 2017

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 serving approximately 280 students in grades kindergarten through eighth 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.

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 and net assets (deficit) as net assets released from restriction. There were no donor restriction in 2018 or 2017.

Grants Receivable – Grants receivable relate primarily to activities funded under federal programs and legislation enacted by the State of Indiana. The School believes it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

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 \$1,000 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, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Taxes on Income – The Bloomington Project School, Inc. has received a determination from the U.S. Department of Treasury 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.

Subsequent Events – The School evaluated subsequent events through November 16, 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 - REFUNDABLE ADVANCE

The School was awarded grants from the Lilly Foundation, Inc. of \$100,000 and \$30,000 during the years ended June 30, 2018 and 2017, respectively. The grants are for the purpose of establishing comprehensive counseling services for students and must be utilized for their intended purpose no later than June 30, 2021, after which any remaining unused portion of each grant is subject to reversion to the grantor organization. The unused portion of each grant is shown as a refundable advance on the statements of financial position.

NOTE 3 - NOTES PAYABLE

Notes payable consisted of the following as of June 30:

	<u>2018</u>	<u>2017</u>
Note payable to Indiana Finance Authority	\$ 424,552	\$ 470,778
Note payable to IFF	1,117,183	1,160,000
Note payable to Bloomington Urban Enterprise Association	2,917	5,417
Common School Fund Loan	55,420	61,940
	<u>1,600,072</u>	<u>1,698,135</u>
Less current portion	<u>(101,826)</u>	<u>(96,121)</u>
Long-term portion	<u>\$ 1,498,246</u>	<u>\$ 1,602,014</u>

THE BLOOMINGTON PROJECT SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2018 and 2017

NOTE 3 - NOTES PAYABLE, Continued

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 U.S. Federal Government. The loan is subordinate to the IFF note payable.

IFF Note Payable - The note payable to IFF is payable in monthly installments of \$10,028, including interest at 6.875% per annum, with the principal balance due at the maturity date of August 1, 2033. 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:

2019	\$	101,826
2020		104,662
2021		110,472
2022		117,080
2023		124,158
Thereafter		<u>1,041,874</u>
Total	\$	<u>1,600,072</u>

NOTE 4 - 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 was \$97,473 and \$91,320 for the years ended June 30, 2018 and 2017, 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:

2019	\$	91,638
2020		3,513
2021		3,513
2022		3,513

THE BLOOMINGTON PROJECT SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017

NOTE 5 - 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, 2018, the School contributed 7.5% of compensation for eligible teaching personnel to TRF and 11.2% 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, 2017 (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 \$102,801 and \$61,256 for the years ended June 30, 2018 and 2017, respectively. The 2017 expense is net of a 403(b) forfeiture of \$32,675 applied to the School's 2017 contribution. No forfeitures were applied in 2018 to reduce the School's matching contributions.

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 \$43,993 and \$42,434 for the years ended June 30, 2018 and 2017, 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, 2018, substantially all of the receivable balance was due from the State of Indiana.

THE BLOOMINGTON PROJECT SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017

NOTE 8 - 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 (deficit). Accordingly, certain expenses have been allocated between program services and management and general expenses.

THE BLOOMINGTON PROJECT SCHOOL, INC.
OTHER REPORT
For the Year Ended June 30, 2018

The reports presented herein were prepared in addition to another official report prepared for the School is 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*.