



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B53722

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

November 15, 2019


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

We have reviewed the audit report of The Bloomington Project School, Inc. which was opined upon by Donovan CPAs, Independent Public Accountants, for the period July 1, 2018 to June 30, 2019. 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, 2019 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 the audit report in accordance with 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.


Paul D. Joyce, CPA
State Examiner

THE BLOOMINGTON PROJECT SCHOOL, INC.

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Years Ended June 30, 2019 and 2018



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 - 12
OTHER REPORT	13



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, 2019 and 2018, 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.

www.cpadonovan.com

Avon | 5151 E. US Hwy 36, Avon, IN 46123 | 317.745.6411

Indianapolis | 9292 N. Meridian Street, Suite 150, Indianapolis, IN 46260 | 317.844.8300

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, 2019 and 2018, 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 dark ink that reads "DONOVAN". The signature is written in a cursive style with a large, prominent initial "D".

Indianapolis, Indiana
November 5, 2019

THE BLOOMINGTON PROJECT SCHOOL, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 279,223	\$ 355,908
Grants receivable	42,893	19,405
Prepaid expenses	<u>3,577</u>	<u>-</u>
<i>Total current assets</i>	<u>325,693</u>	<u>375,313</u>
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	<u>(1,269,812)</u>	<u>(1,195,373)</u>
<i>Property and equipment, net</i>	<u>1,510,315</u>	<u>1,584,754</u>
OTHER ASSETS		
Security deposit	<u>10,000</u>	<u>10,000</u>
TOTAL ASSETS	<u><u>\$ 1,846,008</u></u>	<u><u>\$ 1,970,067</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of notes payable	\$ 107,100	\$ 101,826
Accounts payable	18,551	33,427
Accrued expenses	169,754	145,197
Refundable advances	<u>60,760</u>	<u>83,577</u>
<i>Total current liabilities</i>	<u>356,165</u>	<u>364,027</u>
LONG-TERM LIABILITIES		
Deferred rent payable	-	10,125
Notes payable, net of current portion	<u>1,417,517</u>	<u>1,498,246</u>
<i>Total long-term liabilities</i>	<u>1,417,517</u>	<u>1,508,371</u>
<i>Total liabilities</i>	1,773,682	1,872,398
NET ASSETS, WITHOUT DONOR RESTRICTIONS	<u>72,326</u>	<u>97,669</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,846,008</u></u>	<u><u>\$ 1,970,067</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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
REVENUE AND SUPPORT		
State education support	\$ 1,861,292	\$ 1,838,387
Grant revenue	358,233	359,087
Student fees	83,521	77,915
Contributions	115,158	126,534
Other income	<u>27,502</u>	<u>50,545</u>
<i>Total revenue and support</i>	<u>2,445,706</u>	<u>2,452,468</u>
EXPENSES		
Program services	1,860,675	1,789,670
Management and general	<u>610,374</u>	<u>625,065</u>
<i>Total expenses</i>	<u>2,471,049</u>	<u>2,414,735</u>
CHANGE IN NET ASSETS	(25,343)	37,733
NET ASSETS , BEGINNING OF YEAR	<u>97,669</u>	<u>59,936</u>
NET ASSETS, END OF YEAR	<u><u>\$ 72,326</u></u>	<u><u>\$ 97,669</u></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, 2019 and 2018

	2019			2018		
	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$ 1,107,404	\$ 290,447	\$ 1,397,851	\$ 1,063,798	\$ 266,178	\$ 1,329,976
Employee benefits	287,520	71,537	359,057	285,618	76,663	362,281
Staff development	7,516	85	7,601	1,887	352	2,239
Professional services	51,128	53,334	104,462	34,618	55,610	90,228
Repairs and maintenance	49,439	-	49,439	47,643	-	47,643
Authorizer oversight fees	-	44,741	44,741	-	43,993	43,993
Food costs	49,492	-	49,492	42,905	-	42,905
Transportation	3,684	-	3,684	8,499	-	8,499
Equipment	21,889	-	21,889	5,253	-	5,253
Classroom, kitchen, and office supplies	44,789	5,496	50,285	29,218	3,058	32,276
Occupancy	123,261	-	123,261	147,477	-	147,477
Depreciation	74,439	-	74,439	75,772	-	75,772
Interest	-	94,303	94,303	-	101,277	101,277
Insurance	-	18,566	18,566	-	20,354	20,354
Other	40,114	31,865	71,979	46,982	57,580	104,562
<i>Total functional expenses</i>	<u>\$ 1,860,675</u>	<u>\$ 610,374</u>	<u>\$ 2,471,049</u>	<u>\$ 1,789,670</u>	<u>\$ 625,065</u>	<u>\$ 2,414,735</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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
OPERATING ACTIVITIES		
Change in net assets	\$ (25,343)	\$ 37,733
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	74,439	75,772
Changes in certain assets and liabilities:		
Grants receivable	(23,488)	6,041
Prepaid expenses	(3,577)	808
Accounts payable	(14,876)	10,287
Accrued expenses	24,557	36,451
Refundable advances	(22,817)	60,879
Deferred rent payable	<u>(10,125)</u>	<u>(10,125)</u>
 <i>Net cash provided by (used in) operating activities</i>	 (1,230)	 217,846
FINANCING ACTIVITIES		
Principal repayments of notes payable	<u>(75,455)</u>	<u>(98,063)</u>
NET CHANGE IN CASH	(76,685)	119,783
CASH, BEGINNING OF YEAR	<u>355,908</u>	<u>236,125</u>
CASH, END OF YEAR	<u>\$ 279,223</u>	<u>\$ 355,908</u>
 SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 94,303	\$ 101,277

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, 2019 and 2018

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.

Financial Statement Presentation – Effective with the June 30, 2019 year end, the School adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 requires changes to the financial reporting model for not-for-profit entities, including changing from three classes of net assets to two classes: net assets with donor restrictions and net assets without donor restrictions. ASU 2016-14 also requires additional disclosures regarding the liquidity of financial assets. ASU 2016-14 must be applied on a retrospective basis. Net assets as of June 30, 2019 and 2018 were entirely without donor restrictions.

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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and change in net assets as net assets released from restriction. There were no donor restrictions in 2019 or 2018.

Cash and Cash Equivalents – Cash consists of cash held in bank accounts and cash equivalents consists of short-term, highly liquid investments with original maturities of three months or less. There were no cash equivalents at June 30, 2019 and 2018.

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.

THE BLOOMINGTON PROJECT SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2019 and 2018

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 \$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

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, 2019 and 2018, 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 2015 are open to audit for both federal and state purposes.

Subsequent Events – The School evaluated subsequent events through November 5, 2019, 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 ADVANCES

The School was awarded grants from the Lilly Foundation, Inc. of \$83,576 and \$100,000 during the years ended June 30, 2019 and 2018, 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.

THE BLOOMINGTON PROJECT SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2019 and 2018

NOTE 3 - NOTES PAYABLE

Notes payable consisted of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Note payable to Indiana Finance Authority	\$ 389,065	\$ 424,552
Note payable to IFF	1,083,797	1,117,183
Note payable to Bloomington Urban Enterprise Association	2,855	2,917
Common School Fund Loan	48,900	55,420
	1,524,617	1,600,072
Less: current portion	(107,100)	(101,826)
Long-term portion	\$ 1,417,517	\$ 1,498,246

Indiana Finance Authority Note Payable - The note payable to Indiana Finance Authority is payable in quarterly installments of \$17,798, 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 unpaid balance due on August 1, 2033. The note is secured by a leasehold mortgage, and furniture and equipment. The promissory note with IFF contains several financial and non-financial covenants with which the School is required comply annually. The School was in compliance with all covenants as of June 30, 2019 and 2018.

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. Bloomington Urban Enterprise Association is a related party to the School through common management.

Common School Fund Loan - The note payable to the Indiana Common School Fund is payable in semi-annual principal 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:

2020	\$ 107,100
2021	110,472
2022	117,080
2023	124,158
2024	131,671
Thereafter	934,136
Total	\$ 1,524,617

THE BLOOMINGTON PROJECT SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2019 and 2018

NOTE 4 - LEASES

The School leases its school facility under an operating lease, which was renewed effective June 30, 2019. The lease requires monthly rental payments in the first year of \$7,467, which increase annually over the term of the lease by the lesser of 2% or the consumer price index for the preceding twelve months. The lease expires June 30, 2024 and is renewable for two additional five-year periods. The lease requires the School to pay for certain repairs and maintenance, utilities, and other ongoing expenses required to maintain the facilities.

The School also rents certain items of office equipment under operating leases.

Expense under operating leases was \$98,737 and \$97,473 for the years ended June 30, 2019 and 2018, 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:

2020	\$	105,220
2021		100,763
2022		98,129
2023		96,483
2024		98,174

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, 2019, 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, 2018 (the latest year reported), TRF and PERF were approximately 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 \$105,180 and \$102,801 for the years ended June 30, 2019 and 2018, respectively.

THE BLOOMINGTON PROJECT SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2019 and 2018

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 \$44,741 and \$43,993 for the years ended June 30, 2019 and 2018, respectively. The charter remains in effect until June 30, 2026 and is renewable thereafter by mutual consent.

The School has contracted with Charter School Management Corporation (“CSMC”) to provide finance, business consulting, compliance, payroll, human resources, and other services. This contract remains in effect until June 30, 2024 and is automatically renewed on a year-to-year basis commencing on the last day of the expiring contract, unless written notice of intent to terminate or renegotiate is given by either party at least 60 days prior to expiration of the agreement.

Under the terms of the agreement, the School has agreed to pay CSMC the following amounts for the years ending June 30:

2020	\$	56,400
2021		60,000
2022		60,000
2023		60,000
2024		60,000

Expenses under the agreement were \$52,920 and \$50,400 for the years ended June 30, 2019 and 2018, respectively.

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, 2019, substantially all of the receivable balance was due from the State of Indiana. In addition, deposits maintained at Old National Bank are insured up to the FDIC insurance limit of \$250,000. Funds held at this financial institution exceed the FDIC insurance limit.

THE BLOOMINGTON PROJECT SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2019 and 2018

NOTE 8 - LIQUIDITY

Under ASU 2016-14, the School is required to disclose the assets it has available at June 30, 2019 to meet its cash needs for general expenditures within one year of the date of the statements of financial position. The School's financial assets include cash and grants receivable. Financial assets at June 30, 2019 total \$322,116, all of which are available to meet cash needs for general expenditures within a year.

From time to time, the School receives donor restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, the School must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the School's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 9 - 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. Management of the School has categorized expenses as program services or management and general according to the underlying nature of the expense. As such, no allocation of specific transactions between these categories was required.

THE BLOOMINGTON PROJECT SCHOOL, INC.
OTHER REPORT
For the Year Ended June 30, 2019

The reports presented herein were 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*.