

INGENUITY PREP PUBLIC CHARTER SCHOOL
WASHINGTON, DC

COMPARATIVE FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

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Kendall, Prebola and Jones, LLC

Certified Public Accountants

Board of Directors
Ingenuity Prep Public Charter School
4600 Livingston Road, SE
Washington, DC 20032

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the Ingenuity Prep Public Charter School (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 Ingenuity Prep Public Charter School, as of June 30, 2018 and 2017, 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.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of functional expenses are presented for purposes of additional analysis and are not a required part of the financial statements. In addition, the accompanying schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2018, on our consideration of the Ingenuity Prep Public Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Ingenuity Prep Public Charter School's internal control over financial reporting and compliance.



Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
November 19, 2018

INGENUITY PREP PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 2,470,447	\$ 1,986,650
Accounts Receivable	106,727	40,349
Grants Receivable	96,265	61,668
Prepaid Expenses	<u>109,247</u>	<u>75,673</u>
Total Current Assets	<u>\$ 2,782,686</u>	<u>\$ 2,164,340</u>
Fixed Assets:		
Fixed Assets, Net of Accumulated Depreciation and Amortization	<u>\$ 1,034,935</u>	<u>\$ 967,236</u>
Total Fixed Assets	<u>\$ 1,034,935</u>	<u>\$ 967,236</u>
Other Assets:		
Deposits	<u>\$ 60,432</u>	<u>\$ 60,112</u>
Total Other Assets	<u>\$ 60,432</u>	<u>\$ 60,112</u>
TOTAL ASSETS	<u>\$ 3,878,053</u>	<u>\$ 3,191,688</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 130,319	\$ 234,296
Income Taxes Payable	543	-
Payroll Taxes and Related Liabilities	45,088	22,139
Accrued Salaries	375,123	308,070
Deferred Revenue	<u>-</u>	<u>19,446</u>
Total Current Liabilities	<u>\$ 551,073</u>	<u>\$ 583,951</u>
Total Liabilities	<u>\$ 551,073</u>	<u>\$ 583,951</u>
Net Assets:		
Unrestricted	\$ 3,326,980	\$ 2,607,737
Temporarily Restricted	<u>-</u>	<u>-</u>
Total Net Assets	<u>\$ 3,326,980</u>	<u>\$ 2,607,737</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,878,053</u>	<u>\$ 3,191,688</u>

(See Accompanying Notes and Auditor's Report)

INGENUITY PREP PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	June 30, 2018			June 30, 2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<u>Revenues, Gains and Other Support:</u>						
Tuition - Per Pupil Funding Allocation	\$ 8,333,505	\$ -	\$ 8,333,505	\$ 5,954,792	\$ -	\$ 5,954,792
Tuition - Facilities Allocation	1,567,629	-	1,567,629	1,174,624	-	1,174,624
Federal Entitlements and Grants	784,096	-	784,096	533,786	-	533,786
Donated Commodities	15,816	-	15,816	8,960	-	8,960
State Government Grants	120,411	-	120,411	70,611	-	70,611
Private Grants and Contributions	156,887	-	156,887	149,135	-	149,135
Donated Services	203,363	-	203,363	129,962	-	129,962
Student Program Fees and Other	78,358	-	78,358	-	-	-
Interest Income	1,408	-	1,408	747	-	747
Loss on Disposal of Fixed Assets	(2,364)	-	(2,364)	-	-	-
Net Assets Released from Restrictions - Satisfaction of Program Restrictions	-	-	-	112,500	(112,500)	-
Total Revenues, Gains and Other Support	\$ 11,259,109	\$ -	\$ 11,259,109	\$ 8,135,117	\$ (112,500)	\$ 8,022,617
<u>Expenses:</u>						
Educational Services	\$ 9,808,222	\$ -	\$ 9,808,222	\$ 7,602,518	\$ -	\$ 7,602,518
General and Administrative	600,766	-	600,766	365,143	-	365,143
Fundraising	130,878	-	130,878	109,708	-	109,708
Total Expenses	\$ 10,539,866	\$ -	\$ 10,539,866	\$ 8,077,369	\$ -	\$ 8,077,369
Changes in Net Assets	\$ 719,243	\$ -	\$ 719,243	\$ 57,748	\$ (112,500)	\$ (54,752)
Net Assets, Beginning of Year	2,607,737	-	2,607,737	2,549,989	112,500	2,662,489
Net Assets, End of Year	\$ 3,326,980	\$ -	\$ 3,326,980	\$ 2,607,737	\$ -	\$ 2,607,737

(See Accompanying Notes and Auditor's Report)

INGENUITY PREP PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
<u>Cash Flows from Operating Activities:</u>		
Changes in Net Assets	\$ 719,243	\$ (54,752)
Adjustments to Reconcile Changes in Net Assets to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	183,573	155,657
Loss on Disposal of Fixed Assets	2,364	-
Accounts Receivable - (Increase)/Decrease	(66,378)	(13,641)
Grants Receivable - (Increase)/Decrease	(34,597)	37,384
Prepaid Expenses - (Increase)/Decrease	(33,574)	(19,543)
Deposit - (Increase)/Decrease	(320)	(49,009)
Accounts Payable - Increase/(Decrease)	(103,977)	147,939
Income Taxes Payable - Increase/(Decrease)	543	-
Payroll Taxes and Related Liabilities - Increase/(Decrease)	22,949	5,510
Accrued Salaries - Increase/(Decrease)	67,053	176,882
Deferred Revenue - Increase/(Decrease)	<u>(19,446)</u>	<u>9,687</u>
Net Cash Flows from Operating Activities	<u>\$ 737,433</u>	<u>\$ 396,114</u>
<u>Cash Flows from Investing Activities:</u>		
Purchase of Fixed Assets	\$ (256,300)	\$ (215,412)
Proceeds on Disposal of Fixed Assets	<u>2,664</u>	<u>-</u>
Net Cash Flows from Investing Activities	<u>\$ (253,636)</u>	<u>\$ (215,412)</u>
Net Increase in Cash and Cash Equivalents	\$ 483,797	\$ 180,702
Cash and Cash Equivalents at Beginning of Year	<u>1,986,650</u>	<u>1,805,948</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,470,447</u>	<u>\$ 1,986,650</u>

Supplemental Disclosures:

- a) No interest was paid during the years ended June 30, 2018 and 2017.
- b) No income taxes were paid during the years ended June 30, 2018 and 2017.

(See Accompanying Notes and Auditor's Report)

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

The Ingenuity Prep Public Charter School (the Charter School), a District of Columbia Not-for-Profit Corporation was incorporated on January 13, 2012, exclusively for educational purposes. The Public Charter School operates as part of the District of Columbia Public School System. The mission of the Ingenuity Prep Public Charter School is to challenge Washington, DC, area youth to be critical-thinking, compassionate, and collaborative civic leaders who act with integrity and strive to positively impact their local and global communities through a rigorous college preparatory curriculum, including a major focus on the development of 21st century skills and knowledge.

The Charter School's primary sources of support are local appropriations for charter schools from the District of Columbia. The Charter School also receives federal entitlement funding through the Office of the State Superintendent of Education.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The significant accounting policies of the Charter School are summarized below:

(a) **Basis of Accounting and Presentation:**

The accompanying financial statements have been prepared on the accrual basis of accounting, which presents financial position, activities, functional expenses, and cash flows in accordance with accounting principles generally accepted in the United States of America.

(b) **Revenue Recognition:**

Contributions

The Charter School has adopted Financial Accounting Standards Board ASC No. 958-605-25, *Accounting for Contributions Received and Contributions Made*. As such, contributions are recognized as revenue when they are received or unconditionally pledged.

All contributions are available for unrestricted use unless specifically restricted by the donor. Contributions and promises to give with donor-imposed conditions are recognized as unrestricted support when the conditions on which they depend are substantially met. Contributions and promises to give with donor-imposed restrictions are reported as temporarily restricted support. Unconditional promises to give due in the next year are recorded at their net realizable value. An allowance for uncollectible contributions receivable is provided based on management's judgement, including such factors as prior collection history and type of contribution.

The Charter School reports gifts of equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. The Charter School reports expirations of donor restrictions when the donated or acquired assets are placed in service.

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** (Continued)

(b) **Revenue Recognition:** (Continued)

Federal and Charter School Funding

The Charter School receives a student allocation from the District of Columbia as well as federal funding to cover the cost of academic expenses. The student allocation is on a per pupil basis and includes the academic year funding, special education funding, and a facilities allowance. The Charter School recognizes this funding in the year in which the school term is conducted. Funding received in advance of the school term is recorded as a refundable advance. Federal entitlements are recognized based on the allowable costs incurred.

Summer School Program

The Charter School's model offers an extended-day and extended-year schedule, providing increased opportunities to deliver rigorous instruction, enrichment, and remediation. Over the course of a school year, students at the Charter School benefit from 33% more learning time than their peers at neighboring District schools. As a result of the extended schedule, the Charter School does not have a traditional summer school.

Before and After Care Fees

The Charter School offers fee-based extended day programming for students in grades preschool through 4th grade. The hours of operation are structured to coincide with the typical workday of parents of the students. Tuition is collected based on a monthly fee. The amount of tuition ranges from full tuition to reduced tuition based on the National School Lunch Program guidelines.

(c) **Corporate Taxes:**

The Ingenuity Prep Public Charter School is exempt from federal and state income taxes (other than on unrelated business income) under the provisions of Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. Exemption from District of Columbia income taxes was granted to the Charter School effective January 3, 2012. The Charter School has been classified as other than a private foundation under Section 509(a)(1) of the Internal Revenue Code and accordingly contributions qualify as a charitable tax deduction by the contributor under Section 170(b)(i)(A)(ii). Under IRC Section 512(a)(7), certain transportation benefits are subject to unrelated business income tax. As of June 30, 2018, the Charter School recognized \$380 of income tax expense related to the filing of the 2017 990-T tax return. In addition, \$163 of income tax expense due to the District of Columbia has been reflected in the financial statements related to income tax on transportation benefits.

The Charter School is also exempt from District of Columbia sales and personal property taxes.

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** (Continued)

(d) **Grants:**

Foundation Grants

Grant revenues from foundations are recognized as increases in unrestricted net assets unless use of related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expiration of temporary restrictions (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) is reported as net assets released from restrictions between the applicable classes of net assets.

Government Grants

The Charter School receives grants from federal and state governmental agencies for various purposes in the form of exchange transactions. Receivables related to grant awards are recorded to the extent unreimbursed expenses have been incurred for the purposes specified by an approved grant award. Funds received in advance for these types of grants and those that are unexpended as of year-end are reflected as a deferred revenue.

(e) **Net Assets:**

The Charter School has adopted Financial Accounting Standards Board ASC No. 958-205-05, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC No. 958-205-05, the Charter School is required to report information regarding its financial position and activities according to three classes of net assets.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Charter School and changes therein are classified and reported as follows:

Unrestricted Net Assets

Unrestricted net assets are defined as net assets that are not subject to donor-imposed restrictions and over which the Board of Directors has discretionary control. This classification includes net assets subject to donor-imposed conditions, which have been met in the current year and net assets subject to donor-imposed restrictions that have been released from restrictions.

Temporarily Restricted Net Assets

Temporarily restricted net assets are defined as net assets subject to donor-imposed restrictions that may or will be met, either by actions of the Charter School and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

There were no temporarily restricted net assets available at June 30, 2018 and 2017.

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** (Continued)

(e) **Net Assets:** (Continued)

Temporarily Restricted Net Assets (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes, the passage of time, or by occurrence of other events specified by donors for the following activity:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Expansion/Growth Planning	\$ _____ -	\$ 112,500
Total	\$ _____ -	\$ 112,500

Permanently Restricted Net Assets

Permanently restricted net assets are defined as net assets subject to donor-imposed stipulations that requires the net assets be maintained permanently by the Charter School. Generally, the donors of these assets permit the use of all or part of the income earned on any related investments for general or specific purposes. The Charter School did not have any permanently restricted net assets as of June 30, 2018 or 2017.

(f) **Donated Services and Materials:**

Donated services and material are recognized as contributions in accordance with FASB ASC 958, *Accounting for Contributions Received and Contributions Made*, if the services received create or enhance nonfinancial assets or require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services and promises to give services that do not meet the above criteria are not recognized. The time contributed by the Charter School's Board of Directors is uncompensated and is not reflected as donated services. In-kind contributions are recorded in the statement of activities at estimated fair value and recognized as revenue and expense (or an asset) in the period they are received.

The estimated value of donated services has been recorded in the financial statements as follows:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Facility Expansion Research	\$ 131,707	\$ _____ -
Legal Services	<u>71,656</u>	<u>129,962</u>
Total	<u>\$ 203,363</u>	<u>\$ 129,962</u>

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** (Continued)

(g) **Basic Programs:**

Ingenuity Prep Public Charter School prepares students to succeed in college and beyond as impactful civic leaders. With this aim, the Charter School opened in Washington, DC, in August of 2013 and intends on expanding to serve over 800 students in Preschool through 8th grade.

The Charter School offers an extended-day (8 a.m. - 4:00 p.m.) and extended-year (190 days + 20 days for students below grade-level) schedule, providing increased opportunities to deliver rigorous instruction, enrichment and remediation for a wide-range of content.

With a teacher-student ratio unparalleled by most other schools, at Ingenuity Prep, each classroom is supported by between 2-3 highly-qualified teachers -- from PreK through elementary school. Within each classroom at Ingenuity Prep, the use of multiple teachers and digital learning platforms creates opportunities for lots of small group instruction targeted at students' different learning needs.

Ingenuity Prep's teachers are specialized (i.e. they teach a more focused set of content than a traditional teacher). They engage in extensive coaching and professional development on this specialized set of content, allowing them to develop a deeper foundation of content knowledge than their "more generalized" teacher peers around the city.

Ingenuity Prep's teachers engage in over 300 hours a year of training -- led by some of the best instructional leaders in the city. In a January '18 survey, 95% of staff agreed, "I meet regularly with my manager," and, "My manager cares about me." 89% of teachers shared, "When I get feedback after an observation, I receive support to implement those changes," (vs 55% for the DC charter sector). Ingenuity Prep has had average annual teacher retention between 85-90% for the past three years, far exceeding comparable national and local averages.

Ingenuity Prep's has an innovative teacher career ladder that 1) leverages an apprenticeship model to scaffold and support the growth of new teachers, and 2) provides highly-effective teachers the opportunity to earn highly-competitive levels of compensation and mentor newer teachers.

(h) **Functional Expense Allocation Policies and Procedures:**

Management has elected to prepare a schedule of functional expenses that is presented as supplemental information to the financial statements. The schedule of functional expenses presents an allocation of each expense category between program services, general and administrative, and fundraising activities. Program service costs pertain to educating students. General and administrative costs pertain to supporting activities. Fundraising costs relate to fundraising activities such as special events, fundraisers and the soliciting of contributions.

Management has established functional expense allocation policies and procedures based on a reasonable analysis of cost drivers and reasonable allocation estimates based on financial results and industry standards.

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** (Continued)

(h) **Functional Expense Allocation Policies and Procedures:** (Continued)

Direct costs, where identifiable, are allocated in whole to the appropriate functional category. Direct student expenses (textbooks, materials, instructional supplies, assessment material, contract educational services, and field trips) are allocated entirely to program services.

Personnel expenses for salaries are allocated based on job descriptions and management estimates of time spent on particular activities. Personnel expenses for salaries are divided into employee categories (executive, teachers, student and family support, etc.) and then a percentage of time spent on program services, general and administrative activities, and fundraising activities is applied. All other personnel expenses (employee benefits, payroll taxes, staff development) are allocated based on the weighted average allocation of the direct salaries.

Other expenses that are not directly identifiable by program are allocated based on management estimates of use of resources. For other expenses where it would not be appropriate to designate 100 percent as a program service cost, general and administrative cost, or fundraising cost, the allocation formula for personnel expenses is utilized for cost allocation purposes.

(i) **Use of 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 the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of support and revenues and expenses during the reporting period. Actual results could differ from those estimates.

(j) **Recognition of Salary Expense:**

Salary expense is recognized in the year the service is rendered, which coincides with the academic year. Salaries unpaid at June 30 are recognized as expense and accrued salaries.

(k) **Fair Value of Certain Financial Instruments:**

Some of the Charter School's financial instruments are not measured at fair value on a recurring basis but nevertheless are recorded at amounts that approximate fair value due to their liquid or short-term nature. Such accounts include cash, accounts receivable, prepaid expenses, accounts payable, and accrued expenses.

(l) **Reclassifications:**

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. These reclassifications had no effect on the change in net assets or to total net assets from the prior years.

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

2. ACCOUNTING FOR UNCERTAIN TAX POSITIONS:

Accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in the Charter School's financial statements and prescribe a threshold of "more likely than not" for recognition of tax positions taken or expected to be taken in a tax return. The Ingenuity Prep Public Charter School performed an evaluation of uncertain tax positions for the year ended June 30, 2018, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of June 30, 2018, the statute of limitations for tax years 2014 through 2016 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Charter School files tax returns. It is the Charter School's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of June 30, 2018, the Charter School had no accruals for interest and/or penalties.

3. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents at year end consisted of the following:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Checking Account - Non Interest Bearing	\$ 56,827	\$ 480,983
Savings Account	<u>2,413,620</u>	<u>1,505,667</u>
Total	<u>\$ 2,470,447</u>	<u>\$ 1,986,650</u>

For purposes of the cash flow statement and financial statement presentation, cash and cash equivalents are short term, highly liquid investments with original maturities of three months or less.

The Charter School maintains its operating funds in one financial institution in the form of a non-interest bearing business checking and a savings account. These accounts are covered under the Federal Deposit Insurance Corporation (FDIC) Program. Federal Deposit Insurance Corporation Insurance coverage is \$250,000 per account category. Deposits held in non-interest-bearing transaction accounts are aggregated with interest-bearing deposits and the combined total is insured up to \$250,000.

As of June 30, 2018 and 2017, \$2,251,160 and \$1,745,982, respectively, of the bank balance was deposited in excess of Federal Deposit Insurance Corporation limits. Due to increased cash flows at certain times during the year, the amount of funds at risk may have been greater than at year end. The Charter School was at risk for the funds held in excess of the insured amounts. The Charter School has not experienced any losses related to these accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

4. ACCOUNTS, GRANTS AND PROMISES RECEIVABLE:

Accounts and Grants Receivable

Accounts and grants receivable are current and considered to be fully collectible by management. Balances as of June 30, 2018 and 2017, consisted of the following:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
<u>Accounts Receivable</u>		
Per Pupil Funding	\$ 71,870	\$ 38,001
E-Rate	32,974	-
Other	<u>1,883</u>	<u>2,348</u>
 Total	 <u>\$ 106,727</u>	 <u>\$ 40,349</u>
 <u>Grants Receivable</u>		
National School Food Programs	\$ 51,426	\$ 39,514
Individuals with Disabilities Education Act (IDEA)	27,000	82
Fresh Fruit and Vegetable Program	6,910	4,538
Schoolwide Entitlement Funds	4,221	15,674
Special Education Enhancement	3,750	-
Healthy Schools Act	2,371	1,860
DC Choice Incentive Program - SOAR	<u>587</u>	<u>-</u>
 Total	 <u>\$ 96,265</u>	 <u>\$ 61,668</u>

The Charter School's accounts and grants receivable consists of unsecured amounts due from funding sources whose ability to pay is subject to changes in general economic conditions. Because the Charter School does not require collateral, it is at credit risk for the amounts owed to it through the year and at year end.

Accounts and grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectable amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts or grants receivable. Management believes that an allowance was not required, based on its evaluation of collectability of receivables for the years ended June 30, 2018 and 2017.

Trade receivables related to program service fees are recognized as revenue on the accrual basis of accounting at the time the program activity has occurred. Credit is extended for a period of 60 days with no interest accrual at which time payment is considered delinquent. Trade receivables are written off as uncollectable once management determines that available collection efforts have been exhausted.

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

4. **ACCOUNTS, GRANTS AND PROMISES RECEIVABLE:** (Continued)

Promises Receivable

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Promises to give represent amounts committed by donors that have not been received by the Charter School. The Charter School uses the allowance method to determine uncollectible promises to give.

The Charter School received the following conditional promise to give that is not recognized as an asset in the financial statements:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Ensuring Sustained School Growth	\$ _____ -	\$ 100,000
Total Conditional Promises Receivable	\$ _____ -	\$ 100,000

5. **FIXED ASSETS:**

Furniture and equipment are recorded at cost, or in the case of contributed property at the fair market value at the date of contribution. If an expenditure in excess of \$1,000 results in an asset having an estimated useful life which extends substantially beyond the year of acquisition, the expenditure is capitalized at cost and depreciated over the estimated useful lives of the assets. When assets are retired, or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts and any resulting gain or loss is reflected in income for the period. Depreciation has been provided on the straight-line method over the estimated useful lives of the assets. Depreciation and amortization expense for the years ended June 30, 2018 and 2017 was \$183,573 and \$155,657, respectively. Maintenance and repairs are charged to expenses as incurred. Major classifications of fixed assets and their estimated useful lives are as summarized below:

June 30, 2018:

	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Classroom Furnishings	7 Years	\$ 589,587	\$ 204,591	\$ 384,996
Computer and Office Equipment	3-7 Years	347,843	236,872	110,971
Leasehold Improvements	17 Years	<u>642,979</u>	<u>104,011</u>	<u>538,968</u>
Total		\$ 1,580,409	\$ 545,474	\$ 1,034,935

June 30, 2017:

	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Classroom Furnishings	7 Years	\$ 419,767	\$ 128,019	\$ 291,748
Computer and Office Equipment	3-7 Years	293,688	194,990	98,698
Leasehold Improvements	17 Years	<u>642,979</u>	<u>66,189</u>	<u>576,790</u>
Total		\$ 1,356,434	\$ 389,198	\$ 967,236

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

6. DEFERRED REVENUE:

The Ingenuity Prep Public Charter School records cash receipts on grants in excess of costs incurred on grants as deferred revenue until they are expended for the purposes of the grant at which time they are recognized as unrestricted support. The balance of deferred revenue as of June 30, 2018 and 2017 consisted of the following:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Per Pupil Funding	\$ _____ -	\$ 19,446
Total	\$ _____ -	\$ 19,446

7. DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD CONTRACT:

The Charter School was approved by the District of Columbia Public Charter School Board to operate a charter school in the District of Columbia. The District of Columbia Public Charter School Board (DCPCSB) is responsible for the ongoing oversight of the Charter School's fiscal management and academic acceptability. The contract dated July 24, 2013, provides for a 15-year charter effective the date of first operation. If not renewed, the charter contract will expire on or about July 24, 2028. The charter contract may be renewed for successive 15-year periods if the DCPCSB deems that Ingenuity Prep is in compliance with its charter contract and District statutory provisions. In addition, in accordance with the Charter School Act, the DCPCSB is required to review the charter every five years, with the first such review occurring in the Fall of 2017. The DCPCSB may revoke (or not renew) a charter school contract if a school violates applicable law, materially violates the charter contract or fails to meet the student academic achievement expectations set forth in the charter contract. Consequently, management does not anticipate non-renewal or revocation of its charter.

As part of the agreement with the DCPCSB, the Charter School may be charged a public charter school fee, which is not to exceed one percent (.9% for the 17/18 school year) of the total revenues (less philanthropic and investment revenues) within the annual budget to cover the costs of undertaking the ongoing administrative responsibilities of the Board. For the years ended June 30, 2018 and 2017, the Charter School incurred \$78,435 and \$77,482, respectively, in administrative fees.

The charter contract provides that Ingenuity Prep may educate up to a predetermined number of students. However, this enrollment limit may be raised upon notification to and acceptance by the DCPCSB. The Charter School enrollment ceiling for the year ended June 30, 2018, was not permitted to be greater than 491 students. Audit enrollment for the 2017/2018 year was 491 students and enrollment for the 2016/2017 year was 376 students.

8. PER-PUPIL FUNDING ALLOCATION:

The Charter School receives local funding from the District of Columbia in the form of per-pupil educational allotments and facility allowances. This funding is based on the equivalent number of full-time students and is determined annually. For the year ended June 30, 2018, the per-student rate ranged from \$10,257 to \$13,744 for the education allotment and \$3,193 for the facility allowance. For the year ended June 30, 2017, the per-student rate ranged from \$9,682 to \$12,974 for the education allotment and \$3,124 for the facility allowance.

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

8. **PER-PUPIL FUNDING ALLOCATION:** (Continued)

Additional allotments were made for Special Education Services and At-Risk Students. Per-pupil funding for the years ended June 30, 2018 and 2017 was as follows:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Grade Level - Pre-School - Grade 3	\$ 5,743,919	\$ 4,221,158
Facilities Allowance	1,567,629	1,174,624
Special Education	1,727,752	1,161,141
At Risk Students	736,776	572,493
Teachers Collective Bargaining	<u>125,058</u>	<u>-</u>
 Total	 <u>\$ 9,901,134</u>	 <u>\$ 7,129,416</u>

9. **FEDERAL ENTITLEMENTS AND GRANTS:**

During the years ended June 30, 2018 and 2017, the Charter School participated in the following federal award programs:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
National School Food Programs	\$ 303,304	\$ 234,349
NCLB - Entitlement Funds (Title I)	226,029	170,107
Individuals with Disabilities Education Act (IDEA)	87,328	47,857
DC School Choice Incentive Program (SOAR)	76,022	21,694
NCLB - Entitlement Funds (Title II)	48,071	37,965
Fresh Fruit and Vegetable Program	33,342	21,814
Donated Commodities	15,816	8,960
NCLB - Entitlement Funds (Title IV)	<u>10,000</u>	<u>-</u>
 Total	 <u>\$ 799,912</u>	 <u>\$ 542,746</u>

Federal formula grants are allocations of money to states or their subdivisions in accordance with distribution formulas prescribed by law or administrative regulation, for activities of a continuing nature not confined to a specific project. The Charter School receives federal formula grants under the provisions of the No Child Left Behind Act (NCLB) of 2001, P.L 107-110. NCLB funds are not intended to replace state or local educational funding. Rather, NCLB funds provide additional support to states, LEAs, and schools for specific purposes. Grants are provided by the U.S. Department of Education and passed through the District of Columbia Office of State Superintendent of Education.

The National School Lunch Program and School Breakfast Program are part of the child nutrition cluster of programs operated by the U.S. Department of Agriculture. The objectives of the child nutrition cluster programs are to: (1) assist states in administering food services that provide healthful, nutritious meals to eligible children in public and non-profit private schools, residential childcare institutions, and summer recreation programs; and (2) encourage the domestic consumption of nutritious agricultural commodities.

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

10. COMMITMENTS:

Building Lease - 4600 Livingston Road, SE (Patricia Roberts Harris Building)

The Charter School entered into a sub-sublease rental agreement on May 13, 2013, effective December 2, 2012, with the Charter School Incubator Initiative (the sublessee) for the rental of a school facility located at 4600 Livingston Road, SE, in Washington, DC. The terms of this agreement were effective through June 30, 2014, at which time the Charter School exercised the option to renew the agreement for two additional years through June 30, 2016. A second amendment was executed on February 1, 2017, extending the lease agreement through June 30, 2017. This lease continued on a month-to-month basis. As a requirement of this lease, a total rental security deposit of \$50,000 was made. This lease called for quarterly lease payments of eighty-percent (80%) of an annual usage fee for the year ended June 30, 2015. Quarterly lease payments changed to ninety-percent (90%) of the annual usage fee beginning in year 2016.

The annual usage fee represents an amount equal to the number of students enrolled on each census date (every October) multiplied by the per pupil facilities allowance received from the District of Columbia. The annual usage fee is full service and includes all utilities (gas, water, electricity, and trash removal), building engineering, janitorial, maintenance and repairs, security monitoring and property management. Rent expense on this lease for the years ended June 30, 2018 and 2017, was \$1,410,867 and \$1,057,162, respectively.

Photocopier Leases

The Charter School entered into an operating lease with Canon Financial Services, Inc., on May 14, 2013, for the rental of a Canon Image Runner Photocopier C5255. This lease called for sixty (60) monthly payments of \$329, commencing on June 1, 2013. This lease was terminated on April 30, 2017. Rental expense for the year ending June 30, 2017, was \$3,288.

The Charter School entered into an operating lease with Canon Financial Services, Inc., on July 11, 2013, for the rental of a Canon Image Runner Advance Photocopier 6275. This lease called for sixty (60) monthly payments of \$354, commencing on August 1, 2013. This lease was terminated on April 30, 2017. Rental expense for the year ending June 30, 2017, was \$3,543.

The Charter School entered into an operating lease with Canon Financial Services, Inc., on March 28, 2017, for the rental of three Canon Image Runner Photocopiers. This lease calls for sixty (60) monthly payments of \$1,057, commencing on April 20, 2017. Rental expense for the years ending June 30, 2018 and 2017 was \$13,413 and \$3,353, respectively. Future minimum payments due under this lease are as follows:

Year Ended June 30,

2019	\$ 12,684
2020	12,684
2021	12,684
2022	<u>9,513</u>
 Total	 <u>\$ 47,565</u>

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

10. COMMITMENTS: (Continued)

Organization Credit Card

The Charter School utilizes a credit card issued by the Bank of America for purchases related to the Charter School's activity. The credit card is issued in the name of the Charter School with a combined credit limit of \$40,000 and is considered to be unsecured.

11. CONCENTRATIONS:

Revenues

The Charter School receives public funds from the District of Columbia based on the number of students they enroll according to the Uniform Per Student Funding Formula developed by the Mayor and City Council. This per pupil allocation is supplemented with extra funds for students with special needs. During the years ended June 30, 2018 and 2017, ninety percent (90%) of total support excluding donated services was received from the District of Columbia in the form of per pupil funding.

In addition to the revenue received through the Uniform Per Student Funding, the Charter School receives state and federal grants awarded under the auspices of the U.S. Department of Education (No Child Left Behind and special education) as well as the U.S. Department of Agriculture (Child Nutrition). The Charter School is entitled to receive these funds by virtue of its recognition as a Local Education Agency by the District of Columbia Public Charter School Board (DCPCSB).

The Charter School is limited to enrolling students that are residents of the District of Columbia. As a DC Public Charter School, the Charter School must compete for students against the DC Public School system as well as other DC Public Charter Schools.

12. CONTINGENCIES:

The Charter School was granted its initial charter by the District of Columbia Public Charter School Board, authorized under the District of Columbia School Reform Act of 1995, Public Law 104-134, as amended. The Charter School has no reason to believe that this relationship will be discontinued in the foreseeable future. However, any interruption of this relationship (i.e., the failure to continue this charter authorization or withholding of funds) could adversely affect the Charter School's ability to finance ongoing operations.

The Charter School depends on per pupil allocations, grants, and contributions for a significant portion of its revenues. The ability of the sources of revenues to continue giving amounts comparable with prior years may be dependent upon future economic conditions and continued deductibility for income tax purposes of grants and contributions to the Charter School. While the Charter School's Board of Directors and management believes the Charter School has the resources to continue its programs, its ability to do so, and the extent to which it continues, may be dependent on the above factors.

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

12. CONTINGENCIES: (Continued)

Laws and regulations governing charter schools are complex and subject to interpretation. The Charter School receives funding from various federal and state grant reimbursement programs, which are governed by various rules and regulations of the respective grantor agencies. To the extent that the Charter School has not complied with the rules and regulations governing the grants, refunds of any money received may be required. The Charter School believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. Therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

The viability of public charter schools and funding for these schools is dependent on the consensus of current and future administration of the District of Columbia. Any future change in dynamics could adversely affect the operations of public charter schools.

13. SUBSEQUENT EVENTS:

Financial Statement Preparation

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through November 19, 2018, the date the financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements.

14. RELATED PARTY TRANSACTIONS:

Education Forward DC (formerly New Schools Venture Fund)

Conditional Promise

Education Forward DC (formerly the New Schools Venture Fund), for whom a School Board member is the managing director of the District of Columbia site as well as a principal, made a total conditional promise in the amount of \$750,000 for the purpose of the ensuring sustained school growth. As of June 30, 2017, payments totaling \$650,000 were made from Education Forward DC to the Charter School, of which \$650,000 has been recognized as revenue. The remaining balance of \$100,000 was paid during the year ended June 30, 2018, and this payment closed the conditional grant. Education Forward DC recognized \$100,000 as revenue in the June 30, 2018, financial statements. This conditional promise will not be recognized as an asset in the financial statements until such time the conditions upon which the grant was made are met.

Contributions

Various board members of the Charter School and organizations for which they are affiliated made contributions to the Charter School. Such contributions of \$140,890 and \$113,375 were made during the years ended June 30, 2018 and 2017, respectively.

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

14. RELATED PARTY TRANSACTIONS: (Continued)

Contributed Services

A member of the Board of Directors of Ingenuity Prep Public Charter School is a former partner at a law firm located in Washington, DC. During the years ended June 30, 2018 and 2017, employees of this law firm provided pro-bono legal services to the Charter School, exclusive of this board member, in the amount of \$71,656 and \$129,962, respectively.

Business Contract

The Charter School entered into a contract on April 5, 2017, with a company whose Chief Executive Officer was a board member of Ingenuity Prep Public Charter School through August 2017. The total contract was for an amount of \$84,000 for the purpose of providing training, coaching and support of school leaders in the EdFuel School Leader Lab. This Leader Lab includes participation in the National Principals and Supervisors Academy Fellowship and the Instructional Leadership Professional Development, a national instructional school leadership program for current principals, principal supervisors and instructional leaders. The total expense incurred during the years ended June 30, 2018 and 2017, was \$42,000.

Business Transaction

A member of the Board of Directors of Ingenuity Prep Public Charter School was also a partner of the organization that was contracted to perform financial and accounting services for the Charter School. This board member resigned from his position of board member and Treasurer in April 2018. During the period through April 2018, for which the individual was both a member of the board and a partner of the outsourced financial firm, the Charter School paid the organization \$56,506 for accounting and financial support services.

Board of Directors

Two of the board members appointed to serve on the Board of Directors are parents of students attending the Charter School. Parent trustees are elected by a majority vote of the board members from a list of qualified individuals submitted to the board.

15. FUNDRAISING:

During the years ended June 30, 2018 and 2017, expenses incurred for the purpose of fundraising were \$130,878 and \$109,708, respectively.

16. ADVERTISING COSTS:

Advertising and marketing costs are expensed when incurred. Advertising expenses were incurred for the purpose of promoting student enrollment and recruiting to the Charter School and to provide outreach to the community. Marketing expenses in the amount of \$33,117 and \$38,845 were incurred during the years ended June 30, 2018 and 2017, respectively.

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

17. RETIREMENT PLAN:

401(k) Profit Sharing Plan

The Charter School provides pension benefits for its employees through a defined contribution 401(k) retirement plan which is currently administered by Automatic Data Processing (ADP). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Provisions of the plan allow for employees to contribute up to the statutory limits set by the Internal Revenue Code. All employees are eligible to participate upon hiring. Plan provisions call for a dollar for dollar match up to three percent (3%) of eligible wages. Plan provisions and contribution requirements are established and may be amended by the board members of the Charter School. Employees are fully vested after five full years of service. There is no unfunded past service liability. The amount of employer contributions for the years ended June 30, 2018 and 2017 was \$72,570 and \$49,711, respectively.

Teacher Retirement Plan

As authorized by the Title 38 of the Code of the District of Columbia, teachers of the DC Public School System may participate in a defined benefit plan named the “Teacher’s Retirement Plan.” The District of Columbia Retirement Board (DCRB) is responsible for paying benefits attributable to teacher service.

An employee may elect to remain in the Teacher’s Retirement Plan if that individual leaves employment with the District of Columbia Public School system and becomes an employee of a DC Public Charter School provided the election is made within 60 days of departure. To remain in the plan, the teacher must make the required employee retirement contributions and the Charter School must make the match contributions that the District of Columbia Public School system would have made to the plan. Employee contributions of 7% of annual salary are required to be made on a pre-tax basis to the plan. The amount of employer contributions for the year ended June 30, 2017, was \$6,077.

18. EMPLOYEE BENEFITS:

The cost of fringe benefits incurred for the years ended June 30, 2018 and 2017 consisted of the following:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Social Security/Medicare	\$ 398,792	\$ 305,886
Health and Dental Insurance	404,826	306,757
Life and Disability Insurance	30,884	23,648
Retirement	72,570	55,788
Unemployment	18,668	20,631
Workers Compensation	<u>15,112</u>	<u>29,441</u>
Total	<u>\$ 940,852</u>	<u>\$ 742,151</u>

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

18. **EMPLOYEE BENEFITS:** (Continued)

Flexible Benefits Plan

The Charter School adopted a Section 125 Flexible Benefits Plan (Cafeteria Plan). Under this plan, employees are permitted to use pre-tax benefit dollars through payroll deduction to pay for medical premiums and dependent care expenses.

19. **OCCUPANCY COST:**

The cost of occupancy for the years ended June 30, 2018 and 2017 consisted of the following:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Rent	\$ 1,410,867	\$ 1,057,162
Facility Consulting	74,208	92,500
Amortization	37,822	37,822
Contracted Building Services	<u>25,078</u>	<u>-</u>
 Total	 <u>\$ 1,547,975</u>	 <u>\$ 1,187,484</u>

INGENUITY PREP PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	June 30, 2018				June 30, 2017			
	Total	Educational Services	General and Administrative	Fundraising	Total	Educational Services	General and Administrative	Fundraising
Personnel, Salaries and Benefits:								
Executive Leadership Salaries	\$ 391,753	\$ 293,815	\$ 78,350	\$ 19,588	\$ 260,100	\$ 202,005	\$ 45,090	\$ 13,005
Teaching Staff Salaries	3,649,658	3,572,915	76,743	-	2,775,483	2,775,483	-	-
Student and Family Support Salaries	526,168	526,168	-	-	472,784	472,784	-	-
Business and Operations Salaries	655,600	465,645	131,120	58,835	550,438	378,804	120,849	50,785
Before and After Care Salaries	61,884	61,884	-	-	-	-	-	-
Employee Benefits	523,392	487,281	28,344	7,767	415,634	392,109	16,993	6,532
Payroll Taxes	417,460	388,658	22,608	6,194	326,517	308,036	13,349	5,132
Travel and Meetings	37,990	35,369	2,057	564	37,397	35,280	1,529	588
Staff Development Expense	216,010	201,107	11,698	3,205	228,428	215,499	9,339	3,590
Other Staff Related Expenses	141,775	131,993	7,678	2,104	124,982	117,908	5,110	1,964
Total Personnel, Salaries and Benefits	\$ 6,621,690	\$ 6,164,835	\$ 358,598	\$ 98,257	\$ 5,191,763	\$ 4,897,908	\$ 212,259	\$ 81,596
Direct Student Costs:								
Textbooks	\$ 103,291	\$ 103,291	\$ -	\$ -	\$ 47,998	\$ 47,998	\$ -	\$ -
Food Service	402,643	402,643	-	-	307,767	307,767	-	-
Student Supplies and Materials	120,155	120,155	-	-	81,604	81,604	-	-
Student Assessment Materials	9,953	9,953	-	-	13,687	13,687	-	-
Contracted Instruction	359,318	359,318	-	-	166,023	166,023	-	-
Transportation Fees	3,575	3,575	-	-	5,747	5,747	-	-
Other Student Costs	123,493	123,493	-	-	102,783	102,783	-	-
Total Direct Student Costs	\$ 1,122,428	\$ 1,122,428	\$ -	\$ -	\$ 725,609	\$ 725,609	\$ -	\$ -
Occupancy Costs:								
Rent	\$ 1,410,867	\$ 1,313,526	\$ 76,406	\$ 20,935	\$ 1,057,162	\$ 997,326	\$ 43,221	\$ 16,615
Contracted Building Services	25,078	23,348	1,358	372	-	-	-	-
Facility Consulting	74,208	37,104	37,104	-	92,500	46,250	46,250	-
Amortization - Building Improvements	37,822	35,213	2,048	561	37,822	35,682	1,546	594
Total Occupancy Costs	\$ 1,547,975	\$ 1,409,191	\$ 116,916	\$ 21,868	\$ 1,187,484	\$ 1,079,258	\$ 91,017	\$ 17,209

(See Accompanying Notes and Auditor's Report)

INGENUITY PREP PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	June 30, 2018				June 30, 2017			
	Total	Educational Services	General and Administrative	Fundraising	Total	Educational Services	General and Administrative	Fundraising
<u>Office Expenses:</u>								
Office Supplies and Materials	\$ 88,051	\$ 81,976	\$ 4,768	\$ 1,307	\$ 58,397	\$ 55,092	\$ 2,387	\$ 918
Office Equipment Rental and Maintenance	61,526	57,281	3,332	913	90,027	84,931	3,681	1,415
Telephone/Telecommunications	95,794	89,185	5,188	1,421	71,366	67,326	2,918	1,122
Professional Fees	449,012	438,234	8,460	2,318	349,377	322,988	24,063	2,326
Donated Professional Services	203,363	132,566	69,734	1,063	129,962	122,606	5,313	2,043
Printing and Publications	-	-	-	-	146	138	6	2
Postage and Shipping	520	484	28	8	438	413	18	7
Computer and Related	69,821	65,004	3,781	1,036	45,386	42,817	1,856	713
Other Office Expense	8,045	7,489	437	119	11,561	10,906	473	182
Total Office Expenses	\$ 976,132	\$ 872,219	\$ 95,728	\$ 8,185	\$ 756,660	\$ 707,217	\$ 40,715	\$ 8,728
<u>General Expenses:</u>								
Insurance	\$ 26,503	\$ 24,674	\$ 1,436	\$ 393	\$ 16,617	\$ 15,677	\$ 679	\$ 261
Authorizer Fee	98,044	78,435	19,609	-	77,482	61,986	15,496	-
Depreciation Expense	145,751	135,695	7,893	2,163	117,835	111,166	4,817	1,852
Income Taxes	543	-	543	-	-	-	-	-
Other General Expenses	800	745	43	12	3,919	3,697	160	62
Total General Expenses	\$ 271,641	\$ 239,549	\$ 29,524	\$ 2,568	\$ 215,853	\$ 192,526	\$ 21,152	\$ 2,175
Total Functional Expenses	\$ 10,539,866	\$ 9,808,222	\$ 600,766	\$ 130,878	\$ 8,077,369	\$ 7,602,518	\$ 365,143	\$ 109,708

(See Accompanying Notes and Auditor's Report)

INGENUITY PREP PUBLIC CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

<u>Federal Grantor/Pass Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Program or Award Amount</u>	<u>Period of Award</u>	<u>Grant Receivable at 7/1/17</u>	<u>Refundable Advance at 7/1/17</u>	<u>Current Year Activity</u>		<u>Grant Receivable at 6/30/18</u>	<u>Refundable Advance at 6/30/18</u>						
							<u>Receipts</u>	<u>Disbursements Expenditures</u>								
<u>U.S. Department of Education:</u>																
Passed Through the District of Columbia:																
Special Education Cluster:																
Special Education - IDEA 611, Grants to States	84.027A	82027A	\$ 88,819	07/01/17 to 09/30/18	\$ -	\$ -	\$ 56,542	\$ 83,542	\$ 27,000	\$ -						
Special Education - IDEA 611, Grants to States	84.027A	82027A	\$ 47,827	07/01/16 to 09/30/17	82	-	82	-	-	-						
Special Education - IDEA 619, Preschool Grants	84.173A	82173A	\$ 3,786	07/01/17 to 09/30/18	-	-	3,786	3,786	-	-						
Total Special Education Cluster					\$ 82	\$ -	\$ 60,410	\$ 87,328	\$ 27,000	\$ -						
Title I, Part A, Grants to Local Educational Agencies	84.010A	82010A	\$ 226,029	07/01/17 to 09/30/18	\$ -	\$ -	\$ 222,671	\$ 226,029	\$ 3,358	\$ -						
Title I, Part A, Grants to Local Educational Agencies	84.010A	82010A	\$ 170,107	07/01/16 to 09/30/17	15,674	-	15,674	-	-	-						
Title II, Part A, Improving Teacher Quality State Grants	84.367A	82367A	\$ 48,071	07/01/17 to 09/30/18	-	-	47,356	48,071	714	-						
Title IV, Student Support and Academic Enrichment Program	84.424A	84424A	\$ 10,000	07/01/17 to 09/30/18	-	-	9,851	10,000	149	-						
DC School Choice Incentive Program	84.370C	U370C170001	\$ 76,022	08/04/17 to 08/03/18	-	-	75,435	76,022	587	-						
Total U.S. Department of Education					\$ 15,756	\$ -	\$ 431,397	\$ 447,450	\$ 31,808	\$ -						
<u>U.S. Department of Agriculture:</u>																
Passed Through the District of Columbia:																
Child Nutrition Cluster:																
Donated Commodities	10.555	N/A	N/A	07/01/17 to 06/30/18	\$ -	\$ -	\$ 15,816	\$ 15,816	\$ -	\$ -						
School Breakfast Program	10.553	N/A	N/A	07/01/17 to 06/30/18	-	-	75,485	91,573	16,088	-						
School Breakfast Program	10.553	N/A	N/A	07/01/16 to 06/30/17	11,342	-	11,342	-	-	-						
National School Lunch Program	10.555	N/A	N/A	07/01/17 to 06/30/18	-	-	176,393	211,731	35,338	-						
National School Lunch Program	10.555	N/A	N/A	07/01/16 to 06/30/17	28,172	-	28,172	-	-	-						
Total Child Nutrition Cluster					\$ 39,514	\$ -	\$ 307,208	\$ 319,120	\$ 51,426	\$ -						
Fresh Fruit and Vegetable Program	10.582	N/A	N/A	07/01/17 to 06/30/18	\$ -	\$ -	\$ 26,432	\$ 33,342	\$ 6,910	\$ -						
Fresh Fruit and Vegetable Program	10.582	N/A	N/A	07/01/16 to 06/30/17	4,538	-	4,538	-	-	-						
Total U.S. Department of Agriculture					\$ 44,052	\$ -	\$ 338,178	\$ 352,462	\$ 58,336	\$ -						
Total Federal Awards					\$ 59,808	\$ -	\$ 769,575	\$ 799,912	\$ 90,144	\$ -						

(See Accompanying Notes and Auditor's Report)

INGENUITY PREP PUBLIC CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Summary by CFDA

<u>Program</u>	<u>CFDA Number</u>	<u>Amount of Expenditures</u>
Special Education - IDEA 611, Grants to States	84.027A	\$ 83,542
Special Education - IDEA 619, Preschool Grants	84.173A	3,786
Title I, Part A, Grants to Local Educational Agencies	84.010A	226,029
Title II, Part A, Improving Teacher Quality State Grants	84.367A	48,071
Title IV, Student Support and Academic Enrichment Program	84.424A	10,000
DC School Choice Incentive Program	84.370C	76,022
Donated Commodities	10.555	15,816
School Breakfast Program	10.553	91,573
National School Lunch Program	10.555	211,731
Fresh Fruit and Vegetable Program	10.582	<u>33,342</u>
Total Federal Awards		<u>\$ 799,912</u>

(See Accompanying Notes and Auditor's Report)

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Note 1 - Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Charter School under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Charter School, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Charter School.

Note 2 - Summary of Significant Accounting Policies:

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Charter School has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 - Food Commodities:

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

Note 4 - Pass-Through Funds:

The Charter School did not pass through any federal funds to subrecipients.

Note 5 - Major Program Selection:

The major Federal Award Programs selected for testing are as follows:

U.S. Department of Agriculture

- Fresh Fruit and Vegetable Program

Child Nutrition Cluster:

- School Breakfast and National School Lunch Programs
- Donated Commodities

The requirements of the Office of Management and Budget Uniform Guidance prescribe that all major programs as determined by the auditor on a risk-based approach and/or at least 40% (20% for low risk auditees) of all federal awards be subject to specific control and compliance testing. For the Ingenuity Prep Public Charter School, the programs subject to these requirements are as listed above. The total expenditures of these programs represents 44.06% of the total federal expenditures.

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Note 5 - Major Program Selection: (Continued)

Programs	CFDA #	Amount of Expenditures
Special Education - IDEA 611, Grants to States	84.027A	\$ 83,542
Special Education - IDEA 619, Preschool Grants	84.173A	3,786
Title I, Part A, Grants to Local Educational Agencies	84.010A	226,029
Title II, Part A, Improving Teacher Quality State Grants	84.367A	48,071
Title IV, Student Support and Academic Enrichment Program	84.424A	10,000
DC School Choice Incentive	84.370A	76,022
Donated Commodities	10.555	15,816 *
School Breakfast Program	10.553	91,573 *
National School Lunch Program	10.555	211,731 *
Fresh Fruit and Vegetable Program	10.582	<u>33,342 *</u>
Total Federal Awards		<u>\$ 799,912</u>

* Denotes Major Program

Note 6 - Major Program Disclosure:

I. U.S. Department of Agriculture

1) Fresh Fruit and Vegetable Program

To foster healthy eating habits in children over the long term by providing fresh fruits and vegetables to children attending elementary schools.

2) School Breakfast and National School Lunch Programs and Donated Commodities

The objectives of the child nutrition cluster are to: (1) assist states in administering food services that provide healthful, nutritious meals to eligible children in public and non-profit private schools, residential childcare institutions, and summer recreation programs; and (2) encourage the domestic consumption of nutritious agricultural commodities.

Kendall, Prebola and Jones, LLC

Certified Public Accountants

Board of Directors
Ingenuity Prep Public Charter School
4600 Livingston Road, SE
Washington, DC 20032

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Ingenuity Prep Public Charter School (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 19, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Ingenuity Prep Public Charter School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ingenuity Prep Public Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ingenuity Prep Public Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Charter School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
November 19, 2018

Kendall, Prebola and Jones, LLC

Certified Public Accountants

Board of Directors
Ingenuity Prep Public Charter School
4600 Livingston Road, SE
Washington, DC 20032

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Report on Compliance for Each Major Federal Program

We have audited the Ingenuity Prep Public Charter School's (a nonprofit organization) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of Ingenuity Prep Public Charter School's major federal programs for the year ended June 30, 2018. The Ingenuity Prep Public Charter School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs and in the notes to the schedule of expenditures of federal awards.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Ingenuity Prep Public Charter School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Ingenuity Prep Public Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Ingenuity Prep Public Charter School's compliance.

Opinion on Each Major Federal Award Program

In our opinion, the Ingenuity Prep Public Charter School, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the Ingenuity Prep Public Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above.

In planning and performing our audit of compliance, we considered the Ingenuity Prep Public Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Ingenuity Prep Public Charter School's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
November 19, 2018

INGENUITY PREP PUBLIC CHARTER SCHOOL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

There were no findings reported in the prior year.

INGENUITY PREP PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

I. Summary of Audit Results

- a. The auditor's report expresses an unmodified opinion on whether the financial statements of Ingenuity Prep Public Charter School were prepared in accordance with generally accepted accounting principles.
- b. No significant deficiencies relating to the audit of the financial statements have been reported.
- c. No instances of noncompliance material to the financial statements of Ingenuity Prep Public Charter School, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- d. No significant deficiencies relating to the audit of the major federal award programs have been reported.
- e. The auditor's report on compliance for the major federal award programs for Ingenuity Prep Public Charter School expresses an unmodified opinion.
- f. There are no audit findings that are required to be reported in accordance with 2 CFR Section 200.516 (a) of the Uniform Guidance in the schedule of findings and questioned costs.
- g. The major programs of Ingenuity Prep Public Charter School were as follows:

<u>Program</u>	<u>CFDA #</u>
Fresh Fruit and Vegetable Program	10.582
Child Nutrition Cluster:	
School Breakfast Program	10.553
National School Lunch Program	10.555
Donated Commodities	10.555

- h. The threshold used for distinguishing between Type A and Type B programs was \$750,000.
- i. The Ingenuity Prep Public Charter School was determined to be a high-risk auditee.

II. Findings relating to the financial statements which are required to be reported in accordance with *Government Auditing Standards*

There were no findings in the current year.

III. Findings relating to federal awards, which are required to be reported in accordance with the Uniform Guidance

There were no findings in the current year.