

INGENUITY PREP PUBLIC CHARTER SCHOOL

WASHINGTON, D.C.

COMPARATIVE AUDIT REPORT

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

KENDALL, PREBOLA AND JONES

Certified Public Accountants

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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, 2016 and 2015, 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, 2016 and 2015, 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 and schedules of average cost per student 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 October 24, 2016, 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 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 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
October 24, 2016

INGENUITY PREP PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash and Cash Equivalents	\$ 1,805,948	\$ 1,016,342
Accounts Receivable	26,708	94,550
Grants Receivable	99,052	69,540
Prepaid Expenses	<u>56,130</u>	<u>22,963</u>
Total Current Assets	<u>\$ 1,987,838</u>	<u>\$ 1,203,395</u>
<u>Fixed Assets:</u>		
Fixed Assets, Net of Accumulated Depreciation and Amortization	<u>\$ 907,481</u>	<u>\$ 222,434</u>
Total Fixed Assets	<u>\$ 907,481</u>	<u>\$ 222,434</u>
<u>Other Assets:</u>		
Deposit	<u>\$ 11,103</u>	<u>\$ 11,200</u>
Total Other Assets	<u>\$ 11,103</u>	<u>\$ 11,200</u>
TOTAL ASSETS	<u>\$ 2,906,422</u>	<u>\$ 1,437,029</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities:</u>		
Accounts Payable	\$ 86,357	\$ 98,552
Payroll Taxes and Related Liabilities	16,629	11,141
Accrued Salaries	131,188	66,149
Deferred Revenue	<u>9,759</u>	<u>-</u>
Total Current Liabilities	<u>\$ 243,933</u>	<u>\$ 175,842</u>
Total Liabilities	<u>\$ 243,933</u>	<u>\$ 175,842</u>
<u>Net Assets:</u>		
Unrestricted	\$ 2,549,989	\$ 1,211,187
Temporarily Restricted	<u>112,500</u>	<u>50,000</u>
Total Net Assets	<u>\$ 2,662,489</u>	<u>\$ 1,261,187</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,906,422</u>	<u>\$ 1,437,029</u>

(See Accompanying Notes and Auditor's Report)

INGENUITY PREP PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	June 30, 2016			June 30, 2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<u>Revenues, Gains and Other Support:</u>						
Tuition - Per Pupil Funding Allocation	\$ 4,357,259	\$ -	\$ 4,357,259	\$ 3,004,336	\$ -	\$ 3,004,336
Tuition - Facilities Allowance	925,958	-	925,958	617,472	-	617,472
Federal Entitlements and Grants	1,482,456	-	1,482,456	640,086	-	640,086
State Government Grants	35,265	-	35,265	33,612	-	33,612
Private Grants and Contributions	298,384	180,000	478,384	300,325	50,000	350,325
Donated Services	39,949	-	39,949	62,953	-	62,953
Donated Fixed Assets	-	-	-	14,831	-	14,831
Student Program Fees and Other	3,149	-	3,149	2,482	-	2,482
Interest Income	414	-	414	341	-	341
Net Assets Released from Restrictions - Satisfaction of Program Restrictions	117,500	(117,500)	-	-	-	-
Total Revenues, Gains and Other Support	\$ 7,260,334	\$ 62,500	\$ 7,322,834	\$ 4,676,438	\$ 50,000	\$ 4,726,438
<u>Expenses:</u>						
Educational Services	\$ 5,502,029	\$ -	\$ 5,502,029	\$ 3,802,896	\$ -	\$ 3,802,896
General and Administrative	331,655	-	331,655	202,982	-	202,982
Fundraising	87,848	-	87,848	81,469	-	81,469
Total Expenses	\$ 5,921,532	\$ -	\$ 5,921,532	\$ 4,087,347	\$ -	\$ 4,087,347
Changes in Net Assets	\$ 1,338,802	\$ 62,500	\$ 1,401,302	\$ 589,091	\$ 50,000	\$ 639,091
Net Assets, Beginning of Year	1,211,187	50,000	1,261,187	622,096	-	622,096
Net Assets, End of Year	\$ 2,549,989	\$ 112,500	\$ 2,662,489	\$ 1,211,187	\$ 50,000	\$ 1,261,187

(See Accompanying Notes and Auditor's Report)

INGENUITY PREP PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
<u>Cash Flows from Operating Activities:</u>		
Changes in Net Assets	\$ 1,401,302	\$ 639,091
Adjustments to Reconcile Changes in Net Assets to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	127,954	67,783
Accounts Receivable - (Increase)/Decrease	67,842	(9,816)
Grants Receivable - (Increase)/Decrease	(29,512)	6,806
Promises Receivable - (Increase)/Decrease	-	151,000
Prepaid Expenses - (Increase)/Decrease	(33,167)	(815)
Deposit - (Increase)/Decrease	97	(1,200)
Accounts Payable - Increase/(Decrease)	(12,195)	16,380
Payroll Taxes and Related Liabilities - Increase/(Decrease)	5,488	4,805
Accrued Salaries - Increase/(Decrease)	65,039	2,224
Deferred Revenue - Increase/(Decrease)	<u>9,759</u>	<u>-</u>
Net Cash Flows from Operating Activities	<u>\$ 1,602,607</u>	<u>\$ 876,258</u>
<u>Cash Flows from Investing Activities:</u>		
Purchase of Fixed Assets	\$ (170,022)	\$ (91,825)
Purchase of Leasehold Improvements	<u>(642,979)</u>	<u>-</u>
Net Cash Flows from Investing Activities	<u>\$ (813,001)</u>	<u>\$ (91,825)</u>
<u>Cash Flows from Financing Activities:</u>		
Reduction of Short-term Loan	<u>\$ -</u>	<u>\$ (50,000)</u>
Net Cash Flows from Financing Activities	<u>\$ -</u>	<u>\$ (50,000)</u>
Net Increase in Cash and Cash Equivalents	\$ 789,606	\$ 734,433
Cash and Cash Equivalents at Beginning of Year	<u>1,016,342</u>	<u>281,909</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,805,948</u>	<u>\$ 1,016,342</u>

Supplemental Disclosures:

- a) No interest was paid during the years ended June 30, 2016 and 2015.
- b) No income taxes were paid during the years ended June 30, 2016 and 2015.

Non-Cash Disclosures:

- a) The purchase of fixed assets as presented in Investing Activities during the year ended June 30, 2015, includes the value of donated fixed assets in the amount of \$14,831.
- b) Financing activities include the conversion of a short-term loan in the amount of \$50,000 to a contribution as a result of the forgiveness of the loan.

(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 School's primary sources of support are local appropriations for Charter Schools from the District of Columbia Government. The 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.

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.

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 allotment. 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.

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(b) Revenue Recognition: (Continued)

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's school day runs from 8:00 a.m. to 4:30 p.m. Monday through Thursday and 8:00 a.m. to 1:50 p.m. on Friday. To provide additional learning opportunities and support the needs of parents and families, the Charter School partnered with the YMCA to provide before and after care at the school building - with before care beginning at 7 a.m. daily and after-care beginning each day at dismissal and running through 6 p.m. While the Charter School's school day is free and open to all residents of the District of Columbia, participation in the before and after care program through the YMCA does require a weekly membership fee, which 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. Accordingly, no provisions for income taxes have been provided for in the accompanying financial statements. The organization 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). The School did not have any net unrelated business income for the year ended June 30, 2016.

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

(d) Grants:

Foundation Grants

Grant revenues result primarily from foundation grants and 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.

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(d) Grants: (Continued)

Government Grants

The 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

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

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.

Temporarily restricted net assets were available at year end for the following purpose:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Expansion/Growth Planning	\$ 112,500	\$ -
General Education - Time Restricted	<u>-</u>	<u>50,000</u>
Total	<u>\$ 112,500</u>	<u>\$ 50,000</u>

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 activities:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
General Education - Time Restricted	\$ 50,000	\$ -
Expansion/Growth Planning	37,500	-
Professional Development	<u>30,000</u>	<u>-</u>
Total	<u>\$ 117,500</u>	<u>\$ -</u>

Permanently Restricted Net Assets

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, 2016 or 2015.

(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 and materials has been recorded in the financial statements as follows:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Legal Services	\$ 39,949	\$ 62,953
Fixed Assets	<u>-</u>	<u>14,831</u>
Total	<u>\$ 39,949</u>	<u>\$ 77,784</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 school opened in Washington, DC, in August of 2013 and intends on expanding to serve over 700 students in Preschool through 8th grade.

Through highly-effective, data-driven instruction and the following strategies, the school addresses the learning needs of its student body:

- The school offers an extended-day (8 a.m. - 4:15 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.
- In addition to strong programs in literacy and math, students take classes aimed at cultivating 21st century skills. All students take Civic Leadership, a class focused on social-emotional competency, team problem-solving, and service learning; Information, Media, and Technology Literacy, a class aimed at making students critical information age consumers and high-capacity users of technology; and a foreign language class. Additionally, 21st century themes of financial, health, and environmental literacy are integrated across content areas.
- Utilizing a blended learning model, the school creatively organizes classroom instruction. In the literacy and math classrooms, teachers harness high-quality online learning programs and digital content to provide adaptive delivery of instruction targeted at students' individual needs and respective zones of proximal development. Through a rotational model, instruction is delivered to small groups of students, with an approximate student-teacher ratio in these groups of 8:1 during the literacy and math blocks and 16:1 in all other content areas.
- Students at the school engage in an empowering learning experience designed to promote independence and agency. At the beginning of each year, students set individual learning goals within each content area. Across the year, students track progress against their goals, gathering evidence of and data points for that progress to include in a digital portfolio. Upon meeting designated achievement benchmarks in their classrooms (outlined by teachers at the beginning of each term), students earn the right to move to one or a combination of the following opportunities: peer coaching, individual research, and applied, collaborative projects.

(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.

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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

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.

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, payroll taxes and employee benefit plans 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.

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, 2016, 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, 2016, the statute of limitations for tax years 2012 through 2014 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the organization 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, 2016, 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, 2016</u>	<u>June 30, 2015</u>
Checking Account - Non Interest Bearing	\$ 804,038	\$ 515,985
Savings Account	<u>1,001,910</u>	<u>500,357</u>
Total	<u>\$ 1,805,948</u>	<u>\$ 1,016,342</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, 2016 and 2015, \$1,563,165 and \$771,244, 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, 2016 and 2015, consisted of the following:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
<u>Accounts Receivable</u>		
Per Pupil Funding	\$ 24,073	\$ 92,168
Other	<u>2,635</u>	<u>2,382</u>
Total	<u>\$ 26,708</u>	<u>\$ 94,550</u>
<u>Grants Receivable</u>		
Scholarship for Opportunity and Results (SOAR)	\$ 43,959	\$ 38,701
National School Lunch Program	28,809	22,404
Schoolwide Entitlement Funds	11,667	3,625
Individuals with Disabilities Education Act (IDEA 611)	7,800	-
Healthy Schools Act	1,394	1,059
School Lunch - Fresh Fruit	5,423	-
E-Rate Discount Program	<u>-</u>	<u>3,751</u>
Total	<u>\$ 99,052</u>	<u>\$ 69,540</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 balance of the accounts and grants receivable 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, 2016 and 2015.

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 promises to give that are not recognized as assets in the financial statements:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Ensuring Sustained School Growth	\$ 200,000	\$ 450,000
Quality Improvement for Early Learning	<u>25,000</u>	<u>-</u>
Total Conditional Promises Receivable	<u>\$ 225,000</u>	<u>\$ 450,000</u>

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 other 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, 2016 and 2015 was \$127,954 and \$67,783, 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, 2016:

	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Classroom Furnishings	7 Years	\$ 300,562	\$ 72,616	\$ 227,946
Computer and Office Equipment	3-7 Years	197,481	132,558	64,923
Leasehold Improvements	17 Years	<u>642,979</u>	<u>28,367</u>	<u>614,612</u>
Total		<u>\$ 1,141,022</u>	<u>\$ 233,541</u>	<u>\$ 907,481</u>

June 30, 2015:

	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Classroom Furnishings	7 Years	\$ 127,632	\$ 23,668	\$ 103,964
Computer and Office Equipment	3-7 Years	<u>200,389</u>	<u>81,919</u>	<u>118,470</u>
Total		<u>\$ 328,021</u>	<u>\$ 105,587</u>	<u>\$ 222,434</u>

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

6. SHORT-TERM LOAN PAYABLE:

On July 1, 2012, the Charter School obtained an unsecured non-interest-bearing loan with the New Schools Venture Fund in the amount of \$50,000. This loan was obtained for the purpose of obtaining working capital in the start-up and planning phases of the Charter School. The entire amount of \$50,000 was due to be paid on November 15, 2014. On July 11, 2014, the New Schools Venture Fund approved to convert the loan into an unrestricted contribution.

7. 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, 2016 and 2015 consisted of the following:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
D.C. Government - Schools Technology Fund	\$ <u>9,759</u>	\$ <u>-</u>
Total	\$ <u>9,759</u>	\$ <u>-</u>

8. 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 Schools 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 scheduled for 2018. 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 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, 2016 and 2015, the Charter School incurred \$67,997 and \$42,980, 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, 2016, was not permitted to be greater than 319 students. Audit enrollment for the 2015/2016 year was 288 students and enrollment for the 2014/2015 year was 201 students.

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

9. 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 allotments. This funding is based on the equivalent number of full-time students and is determined annually. For the year ended June 30, 2016, the per-student rate ranged from \$9,492 to \$12,719 for the education allotment and \$3,124 for the facility allotment. For the year ended June 30, 2015, the per-student rate ranged from \$9,492 to \$12,719 for the education allotment and \$3,072 for the facility allotment. Additional allotments were made for Special Education Services and At-Risk Students. Per-pupil funding for the years ended June 30, 2016 and 2015 was as follows:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Grade Level - Pre-School - Grade 2	\$ 3,237,820	\$ 2,307,125
Facilities Allowance	925,958	617,472
Special Education	672,454	374,114
At Risk Students	446,985	313,663
Summer School	<u>-</u>	<u>9,434</u>
Total	<u>\$ 5,283,217</u>	<u>\$ 3,621,808</u>

10. FEDERAL ENTITLEMENTS AND GRANTS:

During the years ended June 30, 2016 and 2015, the Charter School participated in multiple federal award programs. Federal revenues recognized during the years ended June 30, 2016 and 2015 were as follows:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
DC School Choice Incentive Program (SOAR)	\$ 1,005,177	\$ 92,502
National School Food Program	195,343	137,761
NCLB- Entitlement Funds (Title I)	139,856	22,259
Individuals with Disabilities Education Act (IDEA)	67,824	17,077
Race to the Top	39,701	26,299
NCLB- Entitlement Funds (Title II)	34,555	94,188
Charter School Planning and Implementation Grant (Title V, Part B)	<u>-</u>	<u>250,000</u>
Total	<u>\$ 1,482,456</u>	<u>\$ 640,086</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 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.

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

10. FEDERAL ENTITLEMENTS AND GRANTS: (Continued)

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.

11. 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. As a requirement of this lease, a total rental security deposit of \$5,000 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 DC Government. 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, 2016 and 2015, was \$809,741 and \$493,978, respectively.

Photocopier Lease:

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 calls for sixty (60) monthly payments of \$329, commencing on June 1, 2013. Rental expense for the years ending June 30, 2016 and 2015, was \$3,945. Future minimum payments due under this lease are as follows:

<u>Year Ended June 30,</u>	
2017	\$ 3,945
2018	<u>3,616</u>
Total	<u>\$ 7,561</u>

Photocopier Lease:

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 calls for sixty (60) monthly payments of \$354, commencing on August 1, 2013. Rental expense for the years ending June 30, 2016 and 2015 was \$4,252.

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

11. COMMITMENTS: (Continued)

Photocopier Lease: (Continued)

Future minimum payments due under this lease are as follows:

<u>Year Ended June 30,</u>	
2017	\$ 4,252
2018	4,252
2019	<u>354</u>
Total	\$ <u>8,858</u>

Organization Credit Card:

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

12. CONCENTRATIONS:

Revenues:

The Charter School receives public funds from the DC government 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, 2016 and 2015, seventy-three percent (73%) and seventy-eight percent (78%), respectively, 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 (DC PCSB).

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.

13. 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 School's ability to finance ongoing operations.

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

13. CONTINGENCIES: (Continued)

The 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 School. While the School's board of directors and management believes the 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.

Laws and regulations governing charter schools are complex and subject to interpretation. For instance, 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 Government. Any future change in dynamics could adversely affect the operations of public charter schools.

14. SUBSEQUENT EVENTS:

Financial Statement Preparation:

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through October 24, 2016, 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.

Enrollment:

Enrollment for the 2016/2017 school year is projected to be approximately three hundred eighty-eight (388) students. These enrollment numbers are up from the current enrollment number of two hundred eighty-eight (288) students during the 2015/2016 school year.

15. RELATED PARTY TRANSACTIONS:

Education Forward DC (formerly New Schools Venture Fund):

Conditional Promise

Education Forward DC (formerly the New Schools Venture Fund), for whom the School's Board Chair 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, 2016, payments totaling \$550,000 were made from Education Forward DC to the Charter School, of which \$550,000 has been recognized as revenue. The remaining balance of \$200,000 has not yet been paid by Education Forward DC. 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.

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

15. RELATED PARTY TRANSACTIONS: (Continued)

Short-Term Loan

The New Schools Venture Fund provided a non-interest bearing short-term loan on July 1, 2012 to Ingenuity Prep Public Charter School for the purpose of providing working capital during the planning and start-up phases of the Charter School. The balance outstanding at June 30, 2014 was \$50,000 and was considered to be due on November 15, 2014. During the year ended June 30, 2015, the New Schools Venture Fund forgave the loan and converted it into a grant for the Charter School.

Contributions

Various board members of the Charter School and organizations for which they are affiliated, made contributions to the School. Such contributions of \$43,890 and \$22,195 were made during the years ended June 30, 2016 and 2015, respectively.

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.

16. FUNDRAISING:

During the years ended June 30, 2016 and 2015, expenses incurred for the purpose of fundraising were \$87,848 and \$81,469, respectively.

17. ADVERTISING COSTS:

Advertising and marketing costs are expensed when incurred. Marketing activities were conducted for the purpose of staff recruitment, promoting open enrollment and recruiting to the Charter School and to provide outreach to the community. Marketing expenses in the amount of \$10,467 and \$11,890 were incurred during the years ended June 30, 2016 and 2015, respectively.

18. 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, 2016 and 2015 was \$31,907 and \$23,233, respectively.

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

19. EMPLOYEE BENEFITS:

The cost of fringe benefits incurred for the years ended June 30, 2016 and 2015, consisted of the following:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Social Security/Medicare	\$ 222,203	\$ 147,733
Health and Dental Insurance	184,445	131,905
Life and Disability Insurance	14,870	10,460
Retirement	31,907	23,233
Unemployment	21,189	13,597
Workers Compensation	<u>12,562</u>	<u>7,280</u>
Total	<u>\$ 487,176</u>	<u>\$ 334,208</u>

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.

20. OCCUPANCY COST:

The cost of occupancy for the years ended June 30, 2016 and 2015 consisted of the following:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Rent	\$ 809,741	\$ 493,978
Amortization	<u>28,367</u>	<u>-</u>
Total	<u>\$ 838,108</u>	<u>\$ 493,978</u>

INGENUITY PREP PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	June 30, 2016				June 30, 2015			
	Total	Educational Services	General and Administrative	Fundraising	Total	Educational Services	General and Administrative	Fundraising
<u>Personnel, Salaries and Benefits:</u>								
Executive Leadership Salaries	\$ 237,200	\$ 184,410	\$ 40,930	\$ 11,860	\$ 318,100	\$ 274,100	\$ 32,670	\$ 11,330
Teaching Staff Salaries	1,590,122	1,590,122	-	-	1,316,884	1,316,884	-	-
Student and Family Support Salaries	802,552	775,962	26,590	-	49,348	49,348	-	-
Business and Operations Salaries	324,447	218,201	66,305	39,941	284,194	202,330	42,672	39,192
Employee Benefits	243,784	228,467	11,043	4,274	172,878	161,824	6,617	4,437
Payroll Taxes	243,392	228,099	11,025	4,268	161,330	151,014	6,175	4,141
Travel and Meetings	37,530	35,172	1,700	658	29,966	28,993	973	-
Staff Development Expense	113,951	106,791	5,162	1,998	149,652	149,652	-	-
Other Staff Related Expenses	122,801	115,085	5,563	2,153	-	-	-	-
Total Personnel, Salaries and Benefits	<u>\$ 3,715,779</u>	<u>\$ 3,482,309</u>	<u>\$ 168,318</u>	<u>\$ 65,152</u>	<u>\$ 2,482,352</u>	<u>\$ 2,334,145</u>	<u>\$ 89,107</u>	<u>\$ 59,100</u>
<u>Direct Student Costs:</u>								
Textbooks	\$ 49,872	\$ 49,872	\$ -	\$ -	\$ 65,516	\$ 65,516	\$ -	\$ -
Food Service	240,545	240,545	-	-	177,063	177,063	-	-
Student Supplies and Materials	90,105	90,105	-	-	59,642	59,642	-	-
Student Assessment Materials	14,130	14,130	-	-	7,244	7,244	-	-
Contracted Instruction	72,677	72,677	-	-	201,754	201,754	-	-
Transportation Fees	2,642	2,642	-	-	9,787	9,787	-	-
Other Student Costs	79,165	79,165	-	-	44,268	44,268	-	-
Total Direct Student Costs	<u>\$ 549,136</u>	<u>\$ 549,136</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 565,274</u>	<u>\$ 565,274</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Occupancy Costs:</u>								
Rent	\$ 809,741	\$ 758,863	\$ 36,680	\$ 14,198	\$ 493,978	\$ 462,394	\$ 18,906	\$ 12,678
Amortization - Building Improvements	28,367	26,584	1,286	497	-	-	-	-
Total Occupancy Costs	<u>\$ 838,108</u>	<u>\$ 785,447</u>	<u>\$ 37,966</u>	<u>\$ 14,695</u>	<u>\$ 493,978</u>	<u>\$ 462,394</u>	<u>\$ 18,906</u>	<u>\$ 12,678</u>
<u>Office Expenses:</u>								
Office Supplies and Materials	\$ 60,217	\$ 56,433	\$ 2,728	\$ 1,056	\$ 39,541	\$ 37,013	\$ 1,513	\$ 1,015
Office Equipment Rental and Maintenance	54,148	50,746	2,453	949	21,556	20,178	825	553
Telephone/Telecommunications	52,884	49,561	2,396	927	33,324	31,194	1,275	855
Professional Fees	416,308	374,530	39,305	2,473	239,815	200,527	35,738	3,550
Printing and Publications	-	-	-	-	29,152	27,288	1,116	748
Postage and Shipping	49	46	2	1	485	454	19	12
Computer and Related	35,572	33,337	1,611	624	-	-	-	-
Other Office Expense	4,205	3,941	190	74	14,430	13,508	552	370
Total Office Expenses	<u>\$ 623,383</u>	<u>\$ 568,594</u>	<u>\$ 48,685</u>	<u>\$ 6,104</u>	<u>\$ 378,303</u>	<u>\$ 330,162</u>	<u>\$ 41,038</u>	<u>\$ 7,103</u>
<u>General Expenses:</u>								
Insurance	\$ 18,941	\$ 15,153	\$ 3,788	\$ -	\$ 11,754	\$ 8,228	\$ 3,526	\$ -
Authorizer Fee	67,997	-	67,997	-	42,980	-	42,980	-
Depreciation Expense	99,587	93,330	4,511	1,746	67,783	63,449	2,594	1,740
Other General Expenses	8,601	8,060	390	151	44,923	39,244	4,831	848
Total General Expenses	<u>\$ 195,126</u>	<u>\$ 116,543</u>	<u>\$ 76,686</u>	<u>\$ 1,897</u>	<u>\$ 167,440</u>	<u>\$ 110,921</u>	<u>\$ 53,931</u>	<u>\$ 2,588</u>
Total Functional Expenses	<u>\$ 5,921,532</u>	<u>\$ 5,502,029</u>	<u>\$ 331,655</u>	<u>\$ 87,848</u>	<u>\$ 4,087,347</u>	<u>\$ 3,802,896</u>	<u>\$ 202,982</u>	<u>\$ 81,469</u>

(See Accompanying Notes and Auditor's Report)

INGENUITY PREP PUBLIC CHARTER SCHOOL
COMPARATIVE SCHEDULES OF AVERAGE COST PER STUDENT
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

June 30, 2016

	<u>Total Cost</u>	<u>Average Cost Per Student</u>
Instructional	\$ 4,716,582	\$ 16,377.02
Occupancy Cost	838,108	2,910.10
Management and General	293,689	1,019.76
Fundraising	<u>73,153</u>	<u>254.00</u>
Total	<u>\$ 5,921,532</u>	<u>\$ 20,560.88</u>

The above is the average per student cost for the year ended June 30, 2016, and is based on a full time equivalent (FTE) enrollment of 288 students.

June 30, 2015

	<u>Total Cost</u>	<u>Average Cost Per Student</u>
Instructional	\$ 3,340,502	\$ 16,619.41
Occupancy Cost	493,978	2,457.60
Management and General	184,076	915.80
Fundraising	<u>68,791</u>	<u>342.24</u>
Total	<u>\$ 4,087,347</u>	<u>\$ 20,335.05</u>

The above is the average per student cost for the year ended June 30, 2015, and is based on a full time equivalent (FTE) enrollment of 201 students.

(See Accompanying Notes and Auditor's Report)

INGENUITY PREP PUBLIC CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

<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 7/1/15</u>	<u>Current Year Activity</u>		<u>Grant Receivable at 6/30/16</u>
						<u>Receipts</u>	<u>Disbursements Expenditures</u>	
<u>U.S. Department of Education:</u>								
Passed Through the District of Columbia:								
Title I, Part A, Grants to Local Educational Agencies	84.010A	S010A150051	\$ 139,856	07/01/15 to 09/30/16	\$ -	\$ 130,500	\$ 139,856	\$ 9,356
Title I, Part A, Grants to Local Educational Agencies	84.010A	52010A	\$ 94,188	07/01/14 to 09/30/15	693	693	-	-
Title II, Part A, Preparing, Training, and Recruiting High Quality Teachers and Principals	84.367A	S367A150008	\$ 34,555	07/01/15 to 09/30/16	-	32,244	34,555	2,311
Title II, Part A, Preparing, Training, and Recruiting High Quality Teachers and Principals	84.367A	52367A	\$ 22,259	07/01/14 to 09/30/15	2,932	2,932	-	-
Special Education - IDEA 611, Grants to Local Education Agencies	84.027A	H027A150010-15A	\$ 64,210	07/01/15 to 09/30/16	-	56,410	64,210	7,800
Special Education - IDEA 619, Preschool Grants to Local Education Agencies	84.173A	H173A150006	\$ 3,614	07/01/15 to 09/30/16	-	3,614	3,614	-
Race to the Top (ARRA)	84.395A	S395A100048	\$ 66,000	01/30/15 to 01/29/16	10,327	50,028	39,701	-
DC School Choice Incentive Program (SOAR):								
State System of Support Best Practices	84.370C	U370C120001	\$ 99,000	01/30/15 to 01/29/16	15,491	75,042	59,551	-
Academic Quality Grants for Charters	84.370C	U370C130001	\$ 99,727	02/21/14 to 02/20/16	12,883	42,224	29,341	-
Academic Quality Grants for Charters	84.370C	U370C140001	\$ 295,000	07/10/15 to 07/10/17	-	229,347	273,306	43,959
Investing in Public Facility Projects	84.370C	U370C140001	\$ 642,979	07/10/15 to 07/10/17	-	642,979	642,979	-
Total U.S. Department of Education					\$ 42,326	\$ 1,266,013	\$ 1,287,113	\$ 63,426
<u>U.S. Department of Agriculture:</u>								
Passed Through the District of Columbia:								
Donated Commodities	10.555	N/A		07/01/15 to 06/30/16	\$ -	\$ 8,134	\$ 8,134	\$ -
Fresh Fruits and Vegetables	10.582	N/A		07/01/15 to 06/30/16	-	13,109	18,532	5,423
Fresh Fruits and Vegetables	10.582	N/A		07/01/14 to 06/30/15	1,279	1,279	-	-
School Breakfast Program	10.553	N/A		07/01/15 to 06/30/16	-	42,017	50,498	-
School Breakfast Program	10.553	N/A		07/01/14 to 06/30/15	6,655	6,655	-	-
National School Lunch Program	10.555	N/A		07/01/15 to 06/30/16	-	97,851	118,179	-
National School Lunch Program	10.555	N/A		07/01/14 to 06/30/15	14,470	14,470	-	-
Total U.S. Department of Agriculture					\$ 22,404	\$ 183,515	\$ 195,343	\$ 5,423
Total Federal Awards					\$ 64,730	\$ 1,449,528	\$ 1,482,456	\$ 68,849

(See Accompanying Notes and Auditor's Report)

INGENUITY PREP PUBLIC CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Summary by CFDA

<u>Program</u>	<u>CFDA Number</u>	<u>Amount of Expenditures</u>
Title I, Part A, Grants to Local Educational Agencies	84.010A	\$ 139,856
Special Education - IDEA 611, Grants to Local Education Agencies	84.027A	64,210
Special Education - IDEA 619, Preschool Grants to Local Education Agencies	84.173A	3,614
Title II, Part A, Preparing, Training, and Recruiting High Quality Teachers and Principals	84.367A	34,555
DC School Choice Incentive Program (SOAR)	84.370C	1,005,177
Race to the Top (ARRA)	84.395A	39,701
Donated Commodities	10.555	8,134
School Breakfast Program	10.553	50,498
National School Lunch Program	10.555	118,179
Fresh Fruits and Vegetables	10.582	<u>18,532</u>
Total Federal Awards		<u>\$ 1,482,456</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, 2016

Note 1: Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Ingenuity Prep Public Charter School (the Charter School) under programs of the federal government for the year ended June 30, 2016. 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 Account 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 - Major Program Selection:

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

U.S. Department of Education

- DC School Choice Incentive Program (Scholarships for Opportunity and Results)

The requirements of the Uniform Guidance dictate 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.

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Note 3 - Major Program Selection: (Continued)

The total expenditures of these programs represent 67.80% of the total federal expenditures.

<u>Programs</u>	<u>CFDA #</u>	<u>Amount of Expenditures</u>
Title I, Part A, Grants to Local Educational Agencies	84.010A	\$ 139,856
Special Education - IDEA 611, Grants to Local Education Agencies	84.027A	64,210
Special Education - IDEA 619, Preschool Grants to Local Education Agencies	84.173A	3,614
Title II, Part A, Preparing, Training, and Recruiting High Quality Teachers and Principals	84.367A	34,555
DC School Choice Incentive Program (SOAR)	84.370C	1,005,177*
Race to the Top (ARRA)	84.395A	39,701
Donated Commodities	10.555	8,134
School Breakfast Program	10.553	50,498
National School Lunch Program	10.555	118,179
Fresh Fruits and Vegetables	10.582	<u>18,532</u>
Total Federal Awards		<u>\$ 1,482,456</u>

* Denotes Major Program

Note 4 - Food Commodities:

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

Note 5 - Major Program Disclosure:

I. U.S. Department of Education:

DC School Choice Incentive Program

Administration of Scholarships for Opportunity and Results funding is designed to increase student achievement and academic growth of District of Columbia public charter school students by supporting the creation and expansion of high-quality public charter schools. In order to accomplish this goal, the Office of State Superintendent of Education (OSSE) established two impact areas:

- Innovative funding to improve school performance and educational outcomes; and
- Effective facility financing and funding to increase the number of high-quality public charter school seats.

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Note 5 - Major Program Disclosure: (Continued)

I. U.S. Department of Education: (Continued)

DC School Choice Incentive Program (Continued)

1) State System of Support Best Practices Grant

Funds reward schools for implementing best and promising practices, to foster innovation through the dissemination of these practices, and to provide funding to build effective relationships between higher-performing schools and schools in need of appropriate supports aimed at raising student achievement.

2) Increasing Academic Quality Grants

Funds support plans that have a direct and rapid impact on student proficiency rates and the success of public charter school students, either school-wide or for specific subgroups.

3) Investing in Public Facility Projects

Funds support the renovation or reconstruction of former District of Columbia Public Schools (DCPS) or other District-owned facilities released by the District for lease by public charter schools.

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 the Ingenuity Prep Public Charter School, (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, 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 October 24, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the Ingenuity Prep Public Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Ingenuity Prep Public 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 the 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, non-compliance 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
October 24, 2016

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 *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, 2016. 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, 2016.

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
October 24, 2016

INGENUITY PREP PUBLIC CHARTER SCHOOL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

There were no audit findings in the prior year.

INGENUITY PREP PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

I. Summary of Audit Results

- a. The auditor's report expresses an unmodified opinion on whether the financial statements of the 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 the 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 program have been reported.
- e. The auditor's report on compliance for the major federal award program for the 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 the Ingenuity Prep Public Charter School were as follows:

<u>Programs</u>	<u>CFDA #</u>
DC School Choice Incentive Program	84.370C

- h. The dollar threshold utilized to determine Type A programs was \$750,000.
- i. The Ingenuity Prep Public Charter School was determined to be a low-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.