

INGENUITY PREP PUBLIC CHARTER SCHOOL

WASHINGTON, DC

COMPARATIVE FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

KENDALL, PREBOLA AND JONES

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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, 2017 and 2016, 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, 2017 and 2016, 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. 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 10, 2017, 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 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 10, 2017

INGENUITY PREP PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

| | <u>June 30, 2017</u> | <u>June 30, 2016</u> |
|---|----------------------|----------------------|
| <u>ASSETS</u> | | |
| <u>Current Assets:</u> | | |
| Cash and Cash Equivalents | \$ 1,986,650 | \$ 1,805,948 |
| Accounts Receivable | 40,349 | 26,708 |
| Grants Receivable | 61,668 | 99,052 |
| Prepaid Expenses | <u>75,673</u> | <u>56,130</u> |
| Total Current Assets | <u>\$ 2,164,340</u> | <u>\$ 1,987,838</u> |
| <u>Fixed Assets:</u> | | |
| Fixed Assets, Net of Accumulated Depreciation and Amortization | <u>\$ 967,236</u> | <u>\$ 907,481</u> |
| Total Fixed Assets | <u>\$ 967,236</u> | <u>\$ 907,481</u> |
| <u>Other Assets:</u> | | |
| Deposits | <u>\$ 60,112</u> | <u>\$ 11,103</u> |
| Total Other Assets | <u>\$ 60,112</u> | <u>\$ 11,103</u> |
| TOTAL ASSETS | <u>\$ 3,191,688</u> | <u>\$ 2,906,422</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| <u>Current Liabilities:</u> | | |
| Accounts Payable | \$ 234,296 | \$ 86,357 |
| Payroll Taxes and Related Liabilities | 22,139 | 16,629 |
| Accrued Salaries | 308,070 | 131,188 |
| Deferred Revenue | <u>19,446</u> | <u>9,759</u> |
| Total Current Liabilities | <u>\$ 583,951</u> | <u>\$ 243,933</u> |
| Total Liabilities | <u>\$ 583,951</u> | <u>\$ 243,933</u> |
| <u>Net Assets:</u> | | |
| Unrestricted | \$ 2,607,737 | \$ 2,549,989 |
| Temporarily Restricted | <u>-</u> | <u>112,500</u> |
| Total Net Assets | <u>\$ 2,607,737</u> | <u>\$ 2,662,489</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 3,191,688</u> | <u>\$ 2,906,422</u> |

(See Accompanying Notes and Auditor's Report)

INGENUITY PREP PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

| | June 30, 2017 | | | June 30, 2016 | | |
|---|---------------|---------------------------|--------------|---------------|---------------------------|--------------|
| | Unrestricted | Temporarily Restricted | Total | Unrestricted | Temporarily Restricted | Total |
| <u>Revenues, Gains and Other Support:</u> | | | | | | |
| Tuition - Per Pupil Funding Allocation | \$ 5,954,792 | \$ - | \$ 5,954,792 | \$ 4,357,259 | \$ - | \$ 4,357,259 |
| Tuition - Facilities Allowance | 1,174,624 | - | 1,174,624 | 925,958 | - | 925,958 |
| Federal Entitlements and Grants | 542,746 | - | 542,746 | 1,482,456 | - | 1,482,456 |
| State Government Grants | 70,611 | - | 70,611 | 35,265 | - | 35,265 |
| Private Grants and Contributions | 149,135 | - | 149,135 | 298,384 | 180,000 | 478,384 |
| Donated Services | 129,962 | - | 129,962 | 39,949 | - | 39,949 |
| Student Program Fees and Other | - | - | - | 3,149 | - | 3,149 |
| Interest Income | 747 | - | 747 | 414 | - | 414 |
| Net Assets Released from Restrictions - Satisfaction of Program Restrictions | 112,500 | (112,500) | - | 117,500 | (117,500) | - |
| Total Revenues, Gains and Other Support | \$ 8,135,117 | \$ (112,500) | \$ 8,022,617 | \$ 7,260,334 | \$ 62,500 | \$ 7,322,834 |
| <u>Expenses:</u> | | | | | | |
| Educational Services | \$ 7,602,518 | \$ - | \$ 7,602,518 | \$ 5,556,427 | \$ - | \$ 5,556,427 |
| General and Administrative | 365,143 | - | 365,143 | 277,257 | - | 277,257 |
| Fundraising | 109,708 | - | 109,708 | 87,848 | - | 87,848 |
| Total Expenses | \$ 8,077,369 | \$ - | \$ 8,077,369 | \$ 5,921,532 | \$ - | \$ 5,921,532 |
| Changes in Net Assets | \$ 57,748 | \$ (112,500) | \$ (54,752) | \$ 1,338,802 | \$ 62,500 | \$ 1,401,302 |
| Net Assets, Beginning of Year | 2,549,989 | 112,500 | 2,662,489 | 1,211,187 | 50,000 | 1,261,187 |
| Net Assets, End of Year | \$ 2,607,737 | \$ - | \$ 2,607,737 | \$ 2,549,989 | \$ 112,500 | \$ 2,662,489 |

(See Accompanying Notes and Auditor's Report)

INGENUITY PREP PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

| | <u>June 30, 2017</u> | <u>June 30, 2016</u> |
|--|----------------------|----------------------|
| <u>Cash Flows from Operating Activities:</u> | | |
| Changes in Net Assets | \$ (54,752) | \$ 1,401,302 |
| Adjustments to Reconcile Changes in Net Assets to Net Cash Flows from Operating Activities: | | |
| Depreciation and Amortization | 155,657 | 127,954 |
| Accounts Receivable - (Increase)/Decrease | (13,641) | 67,842 |
| Grants Receivable - (Increase)/Decrease | 37,384 | (29,512) |
| Prepaid Expenses - (Increase)/Decrease | (19,543) | (33,167) |
| Deposit - (Increase)/Decrease | (49,009) | 97 |
| Accounts Payable - Increase/(Decrease) | 147,939 | (12,195) |
| Payroll Taxes and Related Liabilities - Increase/(Decrease) | 5,510 | 5,488 |
| Accrued Salaries - Increase/(Decrease) | 176,882 | 65,039 |
| Deferred Revenue - Increase/(Decrease) | <u>9,687</u> | <u>9,759</u> |
| Net Cash Flows from Operating Activities | <u>\$ 396,114</u> | <u>\$ 1,602,607</u> |
| <u>Cash Flows from Investing Activities:</u> | | |
| Purchase of Fixed Assets | \$ (215,412) | \$ (170,022) |
| Purchase of Leasehold Improvements | <u>-</u> | <u>(642,979)</u> |
| Net Cash Flows from Investing Activities | <u>\$ (215,412)</u> | <u>\$ (813,001)</u> |
| Net Increase in Cash and Cash Equivalents | \$ 180,702 | \$ 789,606 |
| Cash and Cash Equivalents at Beginning of Year | <u>1,805,948</u> | <u>1,016,342</u> |
| Cash and Cash Equivalents at End of Year | <u>\$ 1,986,650</u> | <u>\$ 1,805,948</u> |

Supplemental Disclosures:

- a) No interest was paid during the years ended June 30, 2017 and 2016.
- b) No income taxes were paid during the years ended June 30, 2017 and 2016.

(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.

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 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). The Charter School did not have any net unrelated business income for the years ended June 30, 2017 and 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 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

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, 2017</u> | <u>June 30, 2016</u> |
|---------------------------|----------------------|----------------------|
| Expansion/Growth Planning | \$ _____ - | \$ 112,500 |
| Total | \$ _____ - | \$ 112,500 |

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, 2017</u> | <u>June 30, 2016</u> |
|-------------------------------------|----------------------|----------------------|
| General Education - Time Restricted | \$ - | \$ 50,000 |
| Expansion/Growth Planning | 112,500 | 37,500 |
| Professional Development | <u>-</u> | <u>30,000</u> |
| Total | <u>\$ 112,500</u> | <u>\$ 117,500</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, 2017 or 2016.

(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, 2017</u> | <u>June 30, 2016</u> |
|----------------|----------------------|----------------------|
| Legal Services | <u>\$ 129,962</u> | <u>\$ 39,949</u> |
| Total | <u>\$ 129,962</u> | <u>\$ 39,949</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 Charter School addresses the learning needs of its student body:

- The Charter School offers an extended-day (8 a.m. - 4:10 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 Charter 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.

(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.

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.

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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

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.

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, 2017, 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.

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

2. ACCOUNTING FOR UNCERTAIN TAX POSITIONS: (Continued)

As of June 30, 2017, the statute of limitations for tax years 2013 through 2015 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, 2017, 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, 2017</u> | <u>June 30, 2016</u> |
|---|----------------------|----------------------|
| Checking Account - Non Interest Bearing | \$ 480,983 | \$ 804,038 |
| Savings Account | <u>1,505,667</u> | <u>1,001,910</u> |
| Total | <u>\$ 1,986,650</u> | <u>\$ 1,805,948</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, 2017 and 2016, \$1,745,982 and \$1,563,165, 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.

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, 2017 and 2016, consisted of the following:

| | <u>June 30, 2017</u> | <u>June 30, 2016</u> |
|----------------------------|----------------------|----------------------|
| <u>Accounts Receivable</u> | | |
| Per Pupil Funding | \$ 38,001 | \$ 24,073 |
| Other | <u>2,348</u> | <u>2,635</u> |
| Total | <u>\$ 40,349</u> | <u>\$ 26,708</u> |

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

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

Accounts and Grants Receivable (Continued)

| | <u>June 30, 2017</u> | <u>June 30, 2016</u> |
|--|----------------------|----------------------|
| <u>Grants Receivable</u> | | |
| National School Lunch Program | \$ 39,514 | \$ 28,809 |
| Schoolwide Entitlement Funds | 15,674 | 11,667 |
| School Lunch - Fresh Fruit | 4,538 | 5,423 |
| Healthy Schools Act | 1,860 | 1,394 |
| Individuals with Disabilities Education Act (IDEA 611) | 82 | 7,800 |
| Scholarship for Opportunity and Results (SOAR) | - | 43,959 |
| Total | \$ 61,668 | \$ 99,052 |

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, 2017 and 2016.

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.

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, 2017</u> | <u>June 30, 2016</u> |
|--|----------------------|----------------------|
| Ensuring Sustained School Growth | \$ 100,000 | \$ 200,000 |
| Quality Improvement for Early Learning | - | 25,000 |
| Total Conditional Promises Receivable | \$ 100,000 | \$ 225,000 |

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

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, 2017 and 2016 was \$155,657 and \$127,954, 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, 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 | | <u>\$ 1,356,434</u> | <u>\$ 389,198</u> | <u>\$ 967,236</u> |

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> |

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, 2017 and 2016 consisted of the following:

| | <u>June 30, 2017</u> | <u>June 30, 2016</u> |
|---|----------------------|----------------------|
| Per Pupil Funding | \$ 19,446 | \$ - |
| D.C. Government - Schools Technology Fund | <u>-</u> | <u>9,759</u> |
| Total | <u>\$ 19,446</u> | <u>\$ 9,759</u> |

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

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 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, 2017 and 2016, the Charter School incurred \$77,482 and \$67,997, 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, 2017, was not permitted to be greater than 417 students. Audit enrollment for the 2016/2017 year was 376 students and enrollment for the 2015/2016 year was 288 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 allotments. This funding is based on the equivalent number of full-time students and is determined annually. 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 allotment. 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. Additional allotments were made for Special Education Services and At-Risk Students. Per-pupil funding for the years ended June 30, 2017 and 2016 was as follows:

| | <u>June 30, 2017</u> | <u>June 30, 2016</u> |
|------------------------------------|----------------------|----------------------|
| Grade Level - Pre-School - Grade 3 | \$ 4,221,158 | \$ 3,237,820 |
| Facilities Allowance | 1,174,624 | 925,958 |
| Special Education | 1,161,141 | 672,454 |
| At Risk Students | <u>572,493</u> | <u>446,985</u> |
| Total | <u>\$ 7,129,416</u> | <u>\$ 5,283,217</u> |

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

9. FEDERAL ENTITLEMENTS AND GRANTS:

During the years ended June 30, 2017 and 2016, the Charter School participated in multiple federal award programs. Federal revenues recognized during the years ended June 30, 2017 and 2016 were as follows:

| | <u>June 30, 2017</u> | <u>June 30, 2016</u> |
|--|----------------------|----------------------|
| National School Food Program | \$ 265,123 | \$ 195,343 |
| NCLB- Entitlement Funds (Title I) | 170,107 | 139,856 |
| Individuals with Disabilities Education Act (IDEA) | 47,857 | 67,824 |
| NCLB- Entitlement Funds (Title II) | 37,965 | 34,555 |
| DC School Choice Incentive Program (SOAR) | 21,694 | 1,005,177 |
| Race to the Top | <u>-</u> | <u>39,701</u> |
| Total | <u>\$ 542,746</u> | <u>\$ 1,482,456</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.

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. 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.

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

10. COMMITMENTS: (Continued)

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

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, 2017 and 2016, was \$1,057,162 and \$809,741, 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 years ending June 30, 2017 and 2016 was \$3,288 and \$3,945, respectively.

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 years ending June 30, 2017 and 2016 was \$3,543 and \$4,252, respectively.

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 year ending June 30, 2017, was \$3,353. Future minimum payments due under this lease are as follows:

| <u>Year Ended June 30,</u> | |
|----------------------------|------------------|
| 2018 | \$ 12,684 |
| 2019 | 12,684 |
| 2020 | 12,684 |
| 2021 | 12,684 |
| 2022 | <u>9,513</u> |
| Total | <u>\$ 60,249</u> |

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.

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

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, 2017 and 2016, ninety percent (90%) and seventy-three percent (73%), 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.

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.

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. Any future change in dynamics could adversely affect the operations of public charter schools.

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

13. SUBSEQUENT EVENTS:

Financial Statement Preparation

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through November 10, 2017, 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 2017/2018 school year is projected to be approximately four hundred ninety-six (496) students. These enrollment numbers are up from the current enrollment number of three hundred seventy-six (376) students during the 2016/2017 school year.

Additional Funding - Washington Teacher's Union Contract

On October 1, 2017, the City Council approved the Washington Teacher's Union Contract. This contract will result in additional funds to both DC Public Schools and DC Public Charter Schools through an increase in the Uniform per Student Funding Formula. These additional funds result in a 5.9% increase above the original per pupil funding amounts. The Charter School will receive an additional one-time payment during the year ended June 30, 2018 to reflect the increase to the 2017 fiscal year per pupil funding base rate. The amount paid to the Charter School will be calculated based on the final enrollment audit count, supplemental payments and extended school year funding for the year ended June 30, 2017. The 2017 fiscal year base rate will increase by an amount of \$203 over the original base rate of \$9,682 to a revised base rate of \$9,885.

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 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.

Contributions

Various board members of the Charter School and organizations for which they are affiliated made contributions to the Charter School. Such contributions of \$113,375 and \$293,890 were made during the years ended June 30, 2017 and 2016, 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, 2017 and 2016, employees of this law firm provided pro-bono legal services to the Charter School, exclusive of this board member, in the amount of \$129,962 and \$39,949, 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. 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 as of June 30, 2017, was \$42,000.

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, 2017 and 2016, expenses incurred for the purpose of fundraising were \$109,708 and \$87,848, 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 \$38,845 and \$18,077 were incurred during the years ended June 30, 2017 and 2016, respectively.

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.

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

17. RETIREMENT PLAN: (Continued)

401(k) Profit Sharing Plan (Continued)

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, 2017 and 2016 was \$ 49,711 and \$31,907, 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, 2017 and 2016 consisted of the following:

| | <u>June 30, 2017</u> | <u>June 30, 2016</u> |
|-------------------------------|----------------------|----------------------|
| Social Security/Medicare | \$ 305,886 | \$ 222,203 |
| Health and Dental Insurance | 306,757 | 184,445 |
| Life and Disability Insurance | 23,648 | 14,870 |
| Retirement | 55,788 | 31,907 |
| Unemployment | 20,631 | 21,189 |
| Workers Compensation | <u>29,441</u> | <u>12,562</u> |
| Total | <u>\$ 742,151</u> | <u>\$ 487,176</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.

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

19. OCCUPANCY COST:

The cost of occupancy for the years ended June 30, 2017 and 2016 consisted of the following:

| | <u>June 30, 2017</u> | <u>June 30, 2016</u> |
|---------------------|----------------------|----------------------|
| Rent | \$ 1,057,162 | \$ 809,741 |
| Facility Consulting | 92,500 | - |
| Amortization | <u>37,822</u> | <u>28,367</u> |
| Total | <u>\$ 1,187,484</u> | <u>\$ 838,108</u> |

INGENUITY PREP PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

| | June 30, 2017 | | | | June 30, 2016 | | | |
|--|---------------------|----------------------|----------------------------|-------------------|---------------------|----------------------|----------------------------|------------------|
| | Total | Educational Services | General and Administrative | Fundraising | Total | Educational Services | General and Administrative | Fundraising |
| <u>Personnel, Salaries and Benefits:</u> | | | | | | | | |
| Executive Leadership Salaries | \$ 260,100 | \$ 202,005 | \$ 45,090 | \$ 13,005 | \$ 237,200 | \$ 184,410 | \$ 40,930 | \$ 11,860 |
| Teaching Staff Salaries | 2,775,483 | 2,775,483 | - | - | 1,590,122 | 1,590,122 | - | - |
| Student and Family Support Salaries | 472,784 | 472,784 | - | - | 802,552 | 775,962 | 26,590 | - |
| Business and Operations Salaries | 550,438 | 378,804 | 120,849 | 50,785 | 324,447 | 218,201 | 66,305 | 39,941 |
| Employee Benefits | 415,634 | 392,109 | 16,993 | 6,532 | 243,784 | 228,467 | 11,043 | 4,274 |
| Payroll Taxes | 326,517 | 308,036 | 13,349 | 5,132 | 243,392 | 228,099 | 11,025 | 4,268 |
| Travel and Meetings | 37,397 | 35,280 | 1,529 | 588 | 37,530 | 35,172 | 1,700 | 658 |
| Staff Development Expense | 228,428 | 215,499 | 9,339 | 3,590 | 113,951 | 106,791 | 5,162 | 1,998 |
| Other Staff Related Expenses | 124,982 | 117,908 | 5,110 | 1,964 | 122,801 | 115,085 | 5,563 | 2,153 |
| Total Personnel, Salaries and Benefits | <u>\$ 5,191,763</u> | <u>\$ 4,897,908</u> | <u>\$ 212,259</u> | <u>\$ 81,596</u> | <u>\$ 3,715,779</u> | <u>\$ 3,482,309</u> | <u>\$ 168,318</u> | <u>\$ 65,152</u> |
| <u>Direct Student Costs:</u> | | | | | | | | |
| Textbooks | \$ 47,998 | \$ 47,998 | \$ - | \$ - | \$ 49,872 | \$ 49,872 | \$ - | \$ - |
| Food Service | 307,767 | 307,767 | - | - | 240,545 | 240,545 | - | - |
| Student Supplies and Materials | 81,604 | 81,604 | - | - | 90,105 | 90,105 | - | - |
| Student Assessment Materials | 13,687 | 13,687 | - | - | 14,130 | 14,130 | - | - |
| Contracted Instruction | 166,023 | 166,023 | - | - | 72,677 | 72,677 | - | - |
| Transportation Fees | 5,747 | 5,747 | - | - | 2,642 | 2,642 | - | - |
| Other Student Costs | 102,783 | 102,783 | - | - | 79,165 | 79,165 | - | - |
| Total Direct Student Costs | <u>\$ 725,609</u> | <u>\$ 725,609</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 549,136</u> | <u>\$ 549,136</u> | <u>\$ -</u> | <u>\$ -</u> |
| <u>Occupancy Costs:</u> | | | | | | | | |
| Rent | \$ 1,057,162 | \$ 997,326 | \$ 43,221 | \$ 16,615 | \$ 809,741 | \$ 758,863 | \$ 36,680 | \$ 14,198 |
| Facility Consulting | 92,500 | 46,250 | 46,250 | - | - | - | - | - |
| Amortization - Building Improvements | 37,822 | 35,682 | 1,546 | 594 | 28,367 | 26,584 | 1,286 | 497 |
| Total Occupancy Costs | <u>\$ 1,187,484</u> | <u>\$ 1,079,258</u> | <u>\$ 91,017</u> | <u>\$ 17,209</u> | <u>\$ 838,108</u> | <u>\$ 785,447</u> | <u>\$ 37,966</u> | <u>\$ 14,695</u> |
| <u>Office Expenses:</u> | | | | | | | | |
| Office Supplies and Materials | \$ 58,397 | \$ 55,092 | \$ 2,387 | \$ 918 | \$ 60,217 | \$ 56,433 | \$ 2,728 | \$ 1,056 |
| Office Equipment Rental and Maintenance | 90,027 | 84,931 | 3,681 | 1,415 | 54,148 | 50,746 | 2,453 | 949 |
| Telephone/Telecommunications | 71,366 | 67,326 | 2,918 | 1,122 | 52,884 | 49,561 | 2,396 | 927 |
| Professional Fees | 349,377 | 322,988 | 24,063 | 2,326 | 416,308 | 374,530 | 39,305 | 2,473 |
| Donated Professional Services | 129,962 | 122,606 | 5,313 | 2,043 | - | - | - | - |
| Printing and Publications | 146 | 138 | 6 | 2 | - | - | - | - |
| Postage and Shipping | 438 | 413 | 18 | 7 | 49 | 46 | 2 | 1 |
| Computer and Related | 45,386 | 42,817 | 1,856 | 713 | 35,572 | 33,337 | 1,611 | 624 |
| Other Office Expense | 11,561 | 10,906 | 473 | 182 | 4,205 | 3,941 | 190 | 74 |
| Total Office Expenses | <u>\$ 756,660</u> | <u>\$ 707,217</u> | <u>\$ 40,715</u> | <u>\$ 8,728</u> | <u>\$ 623,383</u> | <u>\$ 568,594</u> | <u>\$ 48,685</u> | <u>\$ 6,104</u> |
| <u>General Expenses:</u> | | | | | | | | |
| Insurance | \$ 16,617 | \$ 15,677 | \$ 679 | \$ 261 | \$ 18,941 | \$ 15,153 | \$ 3,788 | \$ - |
| Authorizer Fee | 77,482 | 61,986 | 15,496 | - | 67,997 | 54,398 | 13,599 | - |
| Depreciation Expense | 117,835 | 111,166 | 4,817 | 1,852 | 99,587 | 93,330 | 4,511 | 1,746 |
| Other General Expenses | 3,919 | 3,697 | 160 | 62 | 8,601 | 8,060 | 390 | 151 |
| Total General Expenses | <u>\$ 215,853</u> | <u>\$ 192,526</u> | <u>\$ 21,152</u> | <u>\$ 2,175</u> | <u>\$ 195,126</u> | <u>\$ 170,941</u> | <u>\$ 22,288</u> | <u>\$ 1,897</u> |
| Total Functional Expenses | <u>\$ 8,077,369</u> | <u>\$ 7,602,518</u> | <u>\$ 365,143</u> | <u>\$ 109,708</u> | <u>\$ 5,921,532</u> | <u>\$ 5,556,427</u> | <u>\$ 277,257</u> | <u>\$ 87,848</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, 2017 AND 2016

June 30, 2017

| | <u>Total Cost</u> | <u>Average Cost Per Student</u> |
|------------------------|---------------------|-------------------------------------|
| Instructional | \$ 6,523,260 | \$ 17,349.10 |
| Occupancy Cost | 1,187,484 | 3,158.20 |
| Management and General | 274,126 | 729.06 |
| Fundraising | <u>92,499</u> | <u>246.00</u> |
| Total | <u>\$ 8,077,369</u> | <u>\$ 21,482.36</u> |

The above is the average per student cost for the year ended June 30, 2017, and is based on a full time equivalent (FTE) enrollment of 376 students.

June 30, 2016

| | <u>Total Cost</u> | <u>Average Cost Per Student</u> |
|------------------------|---------------------|-------------------------------------|
| Instructional | \$ 4,770,980 | \$ 16,565.91 |
| Occupancy Cost | 838,108 | 2,910.10 |
| Management and General | 239,291 | 830.87 |
| 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.

(See Accompanying Notes and Auditor's Report)

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, 2017, 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 10, 2017.

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.

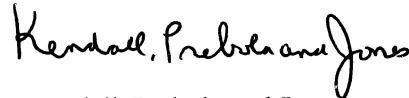
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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
November 10, 2017

INGENUITY PREP PUBLIC CHARTER SCHOOL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

There were no audit findings in the prior year.

INGENUITY PREP PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

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.

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

There were no findings in the current year.