

INGENUITY PREP PUBLIC CHARTER SCHOOL

WASHINGTON, DC

COMPARATIVE FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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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, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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, 2019 and 2018, 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**Supplemental Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. 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 Information

We have audited the financial statements of the Ingenuity Prep Public Charter School as of and for the years ended June 30, 2019 and 2018, and our report thereon dated November 27, 2019, expressed an unmodified opinion on those financial statements. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of contracts awarded in excess of \$25,000, which is the responsibility of management, is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2019, on our consideration of the Ingenuity Prep Public Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Ingenuity Prep Public Charter School's 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 27, 2019

INGENUITY PREP PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash and Cash Equivalents	\$ 3,164,852	\$ 2,470,447
Accounts Receivable	159,915	106,727
Grants Receivable	278,019	96,265
Prepaid Expenses	<u>72,422</u>	<u>109,247</u>
 Total Current Assets	 \$ <u>3,675,208</u>	 \$ <u>2,782,686</u>
<u>Fixed Assets:</u>		
Fixed Assets, Net of Accumulated Depreciation and Amortization	<u>\$ 1,309,772</u>	<u>\$ 1,034,935</u>
 Total Fixed Assets	 \$ <u>1,309,772</u>	 \$ <u>1,034,935</u>
<u>Other Assets:</u>		
Deposits	<u>\$ 81,467</u>	<u>\$ 60,432</u>
 Total Other Assets	 \$ <u>81,467</u>	 \$ <u>60,432</u>
 TOTAL ASSETS	 \$ <u>5,066,447</u>	 \$ <u>3,878,053</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities:</u>		
Accounts Payable	\$ 846,020	\$ 130,319
Income Taxes Payable	1,846	543
Payroll Taxes and Related Liabilities	65,803	45,088
Accrued Salaries	<u>503,810</u>	<u>375,123</u>
 Total Current Liabilities	 \$ <u>1,417,479</u>	 \$ <u>551,073</u>
 Total Liabilities	 \$ <u>1,417,479</u>	 \$ <u>551,073</u>
<u>Net Assets:</u>		
Without Donor Restrictions	\$ 3,648,968	\$ 3,326,980
With Donor Restrictions	<u>-</u>	<u>-</u>
 Total Net Assets	 \$ <u>3,648,968</u>	 \$ <u>3,326,980</u>
 TOTAL LIABILITIES AND NET ASSETS	 \$ <u>5,066,447</u>	 \$ <u>3,878,053</u>

(See Accompanying Notes and Auditor's Report)

INGENUITY PREP PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	June 30, 2019			June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<u>Revenues, Gains and Other Support:</u>						
Tuition - Per Pupil Funding Allocation	\$ 9,864,480	\$ -	\$ 9,864,480	\$ 8,333,505	\$ -	\$ 8,333,505
Tuition - Facilities Allocation	1,827,280	-	1,827,280	1,567,629	-	1,567,629
Federal Entitlements and Grants	1,269,920	-	1,269,920	784,096	-	784,096
Donated Commodities	16,777	-	16,777	15,816	-	15,816
State Government Grants	48,264	-	48,264	120,411	-	120,411
Private Grants and Contributions	40,265	-	40,265	156,887	-	156,887
Donated Services	-	-	-	203,363	-	203,363
Student Program Fees and Other	86,182	-	86,182	78,358	-	78,358
Interest Income	2,338	-	2,338	1,408	-	1,408
Gain/(Loss) on Disposal of Fixed Assets	840	-	840	(2,364)	-	(2,364)
Net Assets Released from Restrictions - Satisfaction of Program Restrictions	-	-	-	-	-	-
Total Revenues, Gains and Other Support	\$ 13,156,346	\$ -	\$ 13,156,346	\$ 11,259,109	\$ -	\$ 11,259,109
<u>Expenses:</u>						
Educational Services	\$ 12,041,783	\$ -	\$ 12,041,783	\$ 9,808,222	\$ -	\$ 9,808,222
General and Administrative	682,933	-	682,933	600,766	-	600,766
Fundraising	109,642	-	109,642	130,878	-	130,878
Total Expenses	\$ 12,834,358	\$ -	\$ 12,834,358	\$ 10,539,866	\$ -	\$ 10,539,866
Changes in Net Assets	\$ 321,988	\$ -	\$ 321,988	\$ 719,243	\$ -	\$ 719,243
Net Assets, Beginning of Year	3,326,980	-	3,326,980	2,607,737	-	2,607,737
Net Assets, End of Year	\$ 3,648,968	\$ -	\$ 3,648,968	\$ 3,326,980	\$ -	\$ 3,326,980

(See Accompanying Notes and Auditor's Report)

INGENUITY PREP PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>June 30, 2019</u>				<u>June 30, 2018</u>			
	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>
<u>Personnel, Salaries and Benefits:</u>								
Executive Leadership Salaries	\$ 550,900	\$ 426,698	\$ 109,839	\$ 14,363	\$ 391,753	\$ 293,815	\$ 78,350	\$ 19,588
Teaching Staff Salaries	4,693,541	4,693,541	-	-	3,649,658	3,572,915	76,743	-
Student and Family Support Salaries	955,883	955,883	-	-	526,168	526,168	-	-
Business and Operations Salaries	717,947	450,871	203,421	63,655	655,600	465,645	131,120	58,835
Before and After Care Salaries	106,603	106,603	-	-	61,884	61,884	-	-
Employee Benefits	704,707	665,456	31,425	7,826	523,392	487,281	28,344	7,767
Payroll Taxes	571,243	539,426	25,473	6,344	417,460	388,658	22,608	6,194
Travel and Meetings	26,024	24,619	1,186	219	37,990	35,369	2,057	564
Staff Development Expense	224,641	212,522	10,235	1,884	216,010	201,107	11,698	3,205
Other Staff Related Expenses	<u>183,161</u>	<u>170,225</u>	<u>11,427</u>	<u>1,509</u>	<u>141,775</u>	<u>131,993</u>	<u>7,678</u>	<u>2,104</u>
Total Personnel, Salaries and Benefits	<u>\$ 8,734,650</u>	<u>\$ 8,245,844</u>	<u>\$ 393,006</u>	<u>\$ 95,800</u>	<u>\$ 6,621,690</u>	<u>\$ 6,164,835</u>	<u>\$ 358,598</u>	<u>\$ 98,257</u>
<u>Direct Student Costs:</u>								
Textbooks	\$ 73,108	\$ 73,108	\$ -	\$ -	\$ 103,291	\$ 103,291	\$ -	\$ -
Food Service	447,035	447,035	-	-	402,643	402,643	-	-
Student Supplies and Materials	118,342	118,342	-	-	120,155	120,155	-	-
Student Assessment Materials	6,669	6,669	-	-	9,953	9,953	-	-
Contracted Instruction	705,594	705,594	-	-	359,318	359,318	-	-
Transportation Fees	1,876	1,876	-	-	3,575	3,575	-	-
Other Student Costs	<u>126,286</u>	<u>126,286</u>	<u>-</u>	<u>-</u>	<u>123,493</u>	<u>123,493</u>	<u>-</u>	<u>-</u>
Total Direct Student Costs	<u>\$ 1,478,910</u>	<u>\$ 1,478,910</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,122,428</u>	<u>\$ 1,122,428</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Occupancy Costs:</u>								
Rent	\$ 1,644,552	\$ 1,555,833	\$ 74,924	\$ 13,795	\$ 1,410,867	\$ 1,313,526	\$ 76,406	\$ 20,935
Building Services	5,658	5,353	258	47	25,078	23,348	1,358	372
Facility Consulting	-	-	-	-	74,208	37,104	37,104	-
Amortization - Building Improvements	<u>37,822</u>	<u>36,084</u>	<u>1,738</u>	<u>-</u>	<u>37,822</u>	<u>35,213</u>	<u>2,048</u>	<u>561</u>
Total Occupancy Costs	<u>\$ 1,688,032</u>	<u>\$ 1,597,270</u>	<u>\$ 76,920</u>	<u>\$ 13,842</u>	<u>\$ 1,547,975</u>	<u>\$ 1,409,191</u>	<u>\$ 116,916</u>	<u>\$ 21,868</u>

(See Accompanying Notes and Auditor's Report)

INGENUITY PREP PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>June 30, 2019</u>				<u>June 30, 2018</u>			
	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>
<u>Office Expenses:</u>								
Office Supplies and Materials	\$ 114,804	\$ 109,529	\$ 5,275	\$ -	\$ 88,051	\$ 81,976	\$ 4,768	\$ 1,307
Office Equipment Rental and Maintenance	70,461	67,224	3,237	-	61,526	57,281	3,332	913
Telephone/Telecommunications	90,614	86,451	4,163	-	95,794	89,185	5,188	1,421
Professional Fees	215,808	50,148	165,660	-	449,012	438,234	8,460	2,318
Donated Professional Services	-	-	-	-	203,363	132,566	69,734	1,063
Postage and Shipping	234	223	11	-	520	484	28	8
Computer and Related	94,336	90,002	4,334	-	69,821	65,004	3,781	1,036
Other Office Expense	<u>4,108</u>	<u>3,919</u>	<u>189</u>	<u>-</u>	<u>8,045</u>	<u>7,489</u>	<u>437</u>	<u>119</u>
Total Office Expenses	<u>\$ 590,365</u>	<u>\$ 407,496</u>	<u>\$ 182,869</u>	<u>\$ -</u>	<u>\$ 976,132</u>	<u>\$ 872,219</u>	<u>\$ 95,728</u>	<u>\$ 8,185</u>
<u>General Expenses:</u>								
Insurance	\$ 28,043	\$ 26,755	\$ 1,288	\$ -	\$ 26,503	\$ 24,674	\$ 1,436	\$ 393
Authorizer Fee	118,016	100,314	17,702	-	98,044	78,435	19,609	-
Depreciation Expense	181,351	173,019	8,332	-	145,751	135,695	7,893	2,163
Income Taxes	2,175	-	2,175	-	543	-	543	-
Other General Expenses	<u>12,816</u>	<u>12,175</u>	<u>641</u>	<u>-</u>	<u>800</u>	<u>745</u>	<u>43</u>	<u>12</u>
Total General Expenses	<u>\$ 342,401</u>	<u>\$ 312,263</u>	<u>\$ 30,138</u>	<u>\$ -</u>	<u>\$ 271,641</u>	<u>\$ 239,549</u>	<u>\$ 29,524</u>	<u>\$ 2,568</u>
Total Functional Expenses	<u>\$ 12,834,358</u>	<u>\$ 12,041,783</u>	<u>\$ 682,933</u>	<u>\$ 109,642</u>	<u>\$ 10,539,866</u>	<u>\$ 9,808,222</u>	<u>\$ 600,766</u>	<u>\$ 130,878</u>

(See Accompanying Notes and Auditor's Report)

INGENUITY PREP PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<u>Cash Flows from Operating Activities:</u>		
Changes in Net Assets	\$ 321,988	\$ 719,243
Adjustments to Reconcile Changes in Net Assets to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	219,174	183,573
Gain/(Loss) on Disposal of Fixed Assets	(840)	2,364
Accounts Receivable - (Increase)/Decrease	(53,188)	(66,378)
Grants Receivable - (Increase)/Decrease	(181,754)	(34,597)
Prepaid Expenses - (Increase)/Decrease	36,825	(33,574)
Deposit - (Increase)/Decrease	(21,035)	(320)
Accounts Payable - Increase/(Decrease)	715,701	(103,977)
Income Taxes Payable - Increase/(Decrease)	1,303	543
Payroll Taxes and Related Liabilities - Increase/(Decrease)	20,715	22,949
Accrued Salaries - Increase/(Decrease)	128,687	67,053
Deferred Revenue - Increase/(Decrease)	<u>-</u>	<u>(19,446)</u>
Net Cash Flows from Operating Activities	<u>\$ 1,187,576</u>	<u>\$ 737,433</u>
<u>Cash Flows from Investing Activities:</u>		
Purchase of Fixed Assets and Construction in Progress	\$ (494,011)	\$ (256,300)
Proceeds on Disposal of Fixed Assets	<u>840</u>	<u>2,664</u>
Net Cash Flows from Investing Activities	<u>\$ (493,171)</u>	<u>\$ (253,636)</u>
Net Increase in Cash and Cash Equivalents	\$ 694,405	\$ 483,797
Cash and Cash Equivalents at Beginning of Year	<u>2,470,447</u>	<u>1,986,650</u>
Cash and Cash Equivalents at End of Year	<u>\$ 3,164,852</u>	<u>\$ 2,470,447</u>

Supplemental Disclosures:

- a) No interest was paid during the years ended June 30, 2019 and 2018.
- b) Income taxes in the amount of \$872 were paid during the year ended June 30, 2019.

(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

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received.

Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restriction, if any, on the contribution. An allowance for uncollectible contributions receivable is provided based upon management's judgement, including such factors as prior collection history and type of contribution.

Conditional promises, such as matching grants, are not recognized as revenue until they become unconditional, that is, until all conditions on which they depend are substantially met.

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(b) Revenue Recognition: (Continued)

Federal and Charter School Funding

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

Summer School Program

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

Before and After Care Fees

The Charter School offers fee-based extended day programming for students in grades preschool through 5th grade. The hours of operation are structured to coincide with the typical workday of parents of the students. Tuition is collected based on a monthly fee. The amount of tuition ranges from full tuition to reduced tuition based on the National School Lunch Program guidelines.

(c) Corporate Taxes:

The Ingenuity Prep Public Charter School is exempt from federal and state income taxes (other than on unrelated business income) under the provisions of Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. Exemption from District of Columbia income taxes was granted to the Charter School effective January 3, 2012. The Charter School has been classified as other than a private foundation under Section 509(a)(1) of the Internal Revenue Code and accordingly contributions qualify as a charitable tax deduction by the contributor under Section 170(b)(i)(A)(ii). Under IRC Section 512(a)(7), certain transportation benefits are subject to unrelated business income tax. As of June 30, 2019 and 2018, the Charter School recognized \$1,335 and \$380, respectively, of income tax expense related to the filing of the 990-T tax returns. In addition, \$840 and \$163 of income tax expense due to the District of Columbia has been reflected in the financial statements related to income tax on transportation benefits.

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

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(d) Government Grants:

The Charter School receives grants from federal and state governmental agencies for various purposes in the form of exchange transactions. Grant revenues are recognized based on allowable costs incurred. 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 reports information regarding its financial position and activities according to two classes of net assets. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of restrictions on use that are placed by the donor. Accordingly, net assets of the Charter School and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions

Net assets without donor restrictions are resources available to support operations and over which the Board of Directors has discretionary control. The only limits on the use of these net assets are the broad limits resulting from the Charter School's purpose, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements that are entered into in the course of its operations.

From time to time, the Board of Directors designates a portion of the Charter School's unrestricted net assets for purposes that are of importance to the organization.

Net Assets with Donor Restrictions

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature whereby the Charter School must continue to use the resources in accordance with the donor's instructions.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service, unless the donor provides more specific directions about the period of its use.

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(e) Net Assets: (Continued)

Net Assets with Donor Restrictions (Continued)

There were no net assets with donor restrictions available at June 30, 2019 and 2018.

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes, the passage of time, or by the occurrence of other events specified by donors. There were no net assets released from donor restrictions during the years ended June 30, 2019 and 2018.

(f) Donated Services:

Donated services 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, 2019</u>	<u>June 30, 2018</u>
Facility Expansion Research	\$ -	\$ 131,707
Legal Services	-	71,656
Total	\$ -	\$ 203,363

(g) Basic Programs:

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

Ingenuity Prep'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 Ingenuity Prep benefit from almost 30% more learning time than their peers at neighboring District schools.

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(g) Basic Programs: (Continued)

With more learning time and increased efficiency in its model, Ingenuity Prep offers an educational program that prepares students for mastery of 1) rigorous core content and 2) a broader set of 21st century civic leadership competencies.

Through its model, Ingenuity Prep leverages high-quality online learning programs to provide adaptive, independent practice opportunities targeted at students' individual needs and respective zones of proximal development. Utilizing this digital content and multiple qualified teachers in each classroom, Ingenuity Prep is able to consistently provide accountable, personalized, independent and small-group learning experiences. With a teacher-student ratio unparalleled by most other schools in the city, at Ingenuity Prep, each classroom is supported by between 2-3 highly-qualified teachers - from PreK through elementary school.

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

Ingenuity Prep's teachers also engage in over 300 hours of training every year - led by some of the best instructional leaders in the city. Teachers received a dedicated coach who met with them weekly to ensure that they were receiving feedback critical to improving their work with students. In a February 2019 staff survey, 82% of teachers reported that feedback from their manager helped them improve their practice.

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

With the belief that mastery of rigorous core content - while necessary - is not sufficient to prepare students for the demands of 21st century leadership, Ingenuity Prep is building its own civic leadership program around four pillars: social-emotional literacy, collaborative problem-solving, a social-justice-focused social studies and science curriculum, and service learning.

(h) Functional Expense Allocation Policies and Procedures:

The statement 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 expenses 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 methodologies based on financial results and industry standards.

Expenses that can be identified with a specific program or support service are charged directly to the program or support service. The Charter School has established a method to specifically identify and record those costs that are considered to be direct student expenses. Such program expenses consist of contracted student services, food service, student supplies and materials, student events, student transportation and textbooks.

Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Personnel expense for salaries, payroll taxes and employee benefit plans are allocated based on estimated amounts of time spent on particular activities.
- Costs of professional fees, legal and accounting, insurance, other general expense, and other similar expenses are allocated based on the underlying use of these costs by various programs determined by management and evaluated annually.
- Certain staff expenses, including travel, meetings and development are generally allocated between general and administrative and program functions on a percentage basis that is equivalent to that determined for salaries and wages.
- Shared costs (office supplies, telephone, equipment rental, postage and computer expense) are allocated based on estimated amounts of time spent on particular activities by utilizing a full-time employee equivalency calculation.
- Costs for facilities such as rent, utilities, maintenance and repairs are allocated based on estimated amounts of time spent on particular activities by utilizing a full-time employee equivalency calculation.

(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.

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(j) Recognition of Salary Expense:

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

(k) Fair Value of Certain Financial Instruments:

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

(l) Change in Accounting Principles:

The Charter School implemented Financial Accounting Standard Board (FASB) ASU No. 2016-14 "Presentation of Financial Statements of Not-for-Profit Entities" in the current year, applying the changes retrospectively. The new standard changes the following aspects of the financial statements:

- The previously reported temporarily and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The format of the statements of activities has been changed to present columns for both activities with donor restrictions and activities without donor restrictions as management believes this better reports changes in the Charter School's changes in financial position arising from its activities.
- The schedule of functional expenses is included as a component of the financial statements.
- The financial statements include a disclosure about liquidity and availability of resources.

The changes had no effect on net assets at July 1, 2018.

2. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

The following reflects the Charter School's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

The Charter School has certain donor-restricted net assets that are considered to be available for general expenditures, because the restrictions on the net assets are expected to be met by conducting the normal activities of the programs in the coming year.

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

2. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS: (Continued)

Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures within one year.

	<u>June 30, 2019</u>
Financial Assets at Year End:	
Cash and Cash Equivalents	\$ 3,164,852
Accounts Receivable	159,915
Grants Receivable	<u>278,019</u>
Total Financial Assets	<u>\$ 3,602,786</u>
Less Amounts Not Available for General Expenditure Within One Year:	<u>\$ -</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 3,602,786</u>

As part of the Charter School's liquidity management, it has a policy to structure its financial assets to be available as general expenditures, liabilities and other obligations come due.

3. 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, 2019, 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, 2019, the statute of limitations for tax years 2015 through 2017 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, 2019, the Charter School had no accruals for interest and/or penalties.

4. CASH AND CASH EQUIVALENTS:

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

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Checking Account - Non Interest Bearing	\$ 1,161,147	\$ 56,827
Savings Account	<u>2,003,705</u>	<u>2,413,620</u>
Total	<u>\$ 3,164,852</u>	<u>\$ 2,470,447</u>

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

4. CASH AND CASH EQUIVALENTS: (Continued)

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 banking institution, as well as 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, 2019 and 2018, \$2,927,182 and \$2,251,160, 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.

5. 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, 2019 and 2018, consisted of the following:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<u>Accounts Receivable</u>		
Per Pupil Funding	\$ 118,608	\$ 71,870
E-Rate	4,845	32,974
Other	<u>36,462</u>	<u>1,883</u>
Total	<u>\$ 159,915</u>	<u>\$ 106,727</u>
<u>Grants Receivable</u>		
DC Choice Incentive Program - SOAR	\$ 230,045	\$ 587
Schoolwide Entitlement Funds	27,375	4,221
Individuals with Disabilities Education Act (IDEA)	15,733	27,000
National School Food Programs	4,656	51,426
Healthy Schools Act	210	2,371
Fresh Fruit and Vegetable Program	-	6,910
Special Education Enhancement	<u>-</u>	<u>3,750</u>
Total	<u>\$ 278,019</u>	<u>\$ 96,265</u>

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

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

Accounts and Grants Receivable (Continued)

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, 2019 and 2018.

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 had no promises receivable as of June 30, 2019 and 2018.

6. FIXED ASSETS:

Furniture and equipment are recorded at cost, or in the case of contributed property at the fair market value at the date of contribution. If an expenditure in excess of \$1,000 results in an asset having an estimated useful life which extends substantially beyond the year of acquisition, the expenditure is capitalized at cost and depreciated over the estimated useful lives of the assets. When assets are retired, or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts and any resulting gain or loss is reflected in income for the period. Depreciation has been provided on the straight-line method over the estimated useful lives of the assets. Depreciation and amortization expense for the years ended June 30, 2019 and 2018 was \$219,174 and \$183,573, respectively. Maintenance and repairs are charged to expenses as incurred.

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

6. FIXED ASSETS: (Continued)

Major classifications of fixed assets and their estimated useful lives are as summarized below:

June 30, 2019:

	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Classroom Furnishings	7 Years	\$ 749,742	\$ 305,629	\$ 444,113
Computer and Office Equipment	3-7 Years	451,655	317,185	134,470
Leasehold Improvements	17 Years	642,979	141,835	501,144
Construction in Progress	N/A	<u>230,045</u>	<u>-</u>	<u>230,045</u>
Total		<u>\$ 2,074,421</u>	<u>\$ 764,649</u>	<u>\$ 1,309,772</u>

June 30, 2018:

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

The federal or state government retains a reversionary interest in equipment funded by federal or state monies, respectively, for individual items greater than \$5,000. Sale, trade-in or other disposition of such equipment generally requires notification of the appropriate federal or state authorities.

7. DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD CONTRACT:

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

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

7. DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD CONTRACT: (Continued)

As part of the agreement with the DCPCSB, the Charter School may be charged a public charter school fee, which is not to exceed one percent (.9% for the 18/19 and 17/18 school years) 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, 2019 and 2018, the Charter School incurred \$118,016 and \$98,044, 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, 2019, was not permitted to be greater than 565 students. Audit enrollment for the 2018/2019 year was 560 students and enrollment for the 2017/2018 year was 491 students.

8. PER-PUPIL FUNDING ALLOCATION:

The Charter School receives local funding from the District of Columbia in the form of per-pupil educational allotments and facility allowances. This funding is based on the equivalent number of full-time students and is determined annually. For the year ended June 30, 2019, the per-student rate ranged from \$10,658 to \$14,282 for the education allotment and \$3,263 for the facility allowance. For the year ended June 30, 2018, the per-student rate ranged from \$10,257 to \$13,744 for the education allotment and \$3,193 for the facility allowance. Additional allotments were made for Special Education Services and At-Risk Students. Per-pupil funding for the years ended June 30, 2019 and 2018 was as follows:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Grade Level - Pre-School - Grade 3	\$ 6,705,800	\$ 5,743,919
Special Education	2,282,068	1,727,752
Facilities Allowance	1,827,280	1,567,629
At Risk Students	871,390	736,776
English as a Second Language	5,222	-
Teachers Collective Bargaining	<u>-</u>	<u>125,058</u>
Total	<u>\$ 11,691,760</u>	<u>\$ 9,901,134</u>

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

9. FEDERAL ENTITLEMENTS AND GRANTS:

During the years ended June 30, 2019 and 2018, the Charter School participated in the following federal award programs:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
National School Food Programs	\$ 378,324	\$ 303,304
NCLB - Entitlement Funds (Title I)	372,393	226,029
DC School Choice Incentive Program (SOAR)	308,955	76,022
Individuals with Disabilities Education Act (IDEA)	94,155	87,328
NCLB - Entitlement Funds (Title II)	69,294	48,071
NCLB - Entitlement Funds (Title IV)	26,683	10,000
Fresh Fruit and Vegetable Program	20,116	33,342
Donated Commodities	<u>16,777</u>	<u>15,816</u>
Total	<u>\$ 1,286,697</u>	<u>\$ 799,912</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. This lease continued on a month-to-month basis. As a requirement of this lease, a total rental security deposit of \$50,000 was made. This lease called for quarterly lease payments of eighty-percent (80%) of an annual usage fee for the year ended June 30, 2015. Quarterly lease payments changed to ninety-percent (90%) of the annual usage fee beginning in year 2016.

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, 2019 and 2018, was \$1,644,552 and \$1,410,867, respectively.

Photocopier Lease

The Charter School entered into an operating lease with Canon Financial Services, Inc., on March 28, 2017, for the rental of three Canon Image Runner Photocopiers. This lease calls for sixty (60) monthly payments of \$1,057, commencing on April 20, 2017. Rental expense for the years ending June 30, 2019 and 2018 was \$13,437 and \$13,413, respectively. Future minimum payments due under this lease are as follows:

<u>Year Ended June 30,</u>	
2020	\$ 12,684
2021	12,684
2022	<u>9,513</u>
Total	<u>\$ 34,881</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.

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, 2019 and 2018, eighty-nine percent (89%) and ninety percent (90%), 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 (DCPCSB).

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

11. CONCENTRATIONS: (Continued)

Revenues (Continued)

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. 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.

Litigation

From time to time, the Charter School is involved in routine litigation that arises in the ordinary course of business. There are no significant pending legal proceedings to which the Charter School is a party for which management believes the ultimate outcome would have a material adverse effect on the Charter School's financial position.

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 27, 2019, the date the financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements.

14. RELATED PARTY TRANSACTIONS:

Education Forward DC (formerly New Schools Venture Fund)

Conditional Promise

Education Forward DC (formerly the New Schools Venture Fund), for whom a School Board member is the managing director of the District of Columbia location 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 had been recognized as revenue. The remaining balance of \$100,000 was paid during the year ended June 30, 2018, and this payment ended the conditional grant. Ingenuity Prep Public Charter School recognized \$100,000 as revenue in the June 30, 2018, financial statements.

Contributions

Various board members of the Charter School and organizations for which they are affiliated made contributions to the Charter School. Such contributions of \$22,800 and \$140,890 were made during the years ended June 30, 2019 and 2018, respectively.

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 year ended June 30, 2018, employees of this law firm provided pro-bono legal services to the Charter School, exclusive of this board member, in the amount of \$71,656.

Business Contract

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

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

14. RELATED PARTY TRANSACTIONS: (Continued)

Business Transaction

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

Board of Directors

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

15. FUNDRAISING:

During the years ended June 30, 2019 and 2018, expenses incurred for the purpose of fundraising were \$109,642 and \$130,878, 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 \$28,783 and \$33,117 were incurred during the years ended June 30, 2019 and 2018, 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. 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, 2019 and 2018 was \$86,406 and \$72,570, respectively.

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

18. EMPLOYEE BENEFITS:

The cost of fringe benefits incurred for the years ended June 30, 2019 and 2018 consisted of the following:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Social Security/Medicare	\$ 530,194	\$ 398,792
Health and Dental Insurance	555,314	404,826
Life and Disability Insurance	40,776	30,884
Retirement	86,406	72,570
Unemployment	38,754	18,668
Workers Compensation	<u>22,211</u>	<u>15,112</u>
Total	<u>\$ 1,273,655</u>	<u>\$ 940,852</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
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

<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 7/1/18</u>	<u>Current Year Activity</u>		<u>Grant Receivable at 6/30/19</u>
						<u>Receipts</u>	<u>Disbursements Expenditures</u>	
<u>U.S. Department of Education:</u>								
Passed Through the District of Columbia:								
Special Education Cluster:								
Special Education - Grants to States (IDEA, Part B)	84.027A	92027A	\$ 92,184	07/01/18 to 09/30/19	\$ -	\$ 73,091	\$ 88,824	\$ 15,733
Special Education - Grants to States (IDEA, Part B)	84.027A	82027A	\$ 88,819	07/01/17 to 09/30/18	27,000	32,277	5,277	-
Special Education - Preschool Grants (IDEA Preschool)	84.173A	92173A	\$ 54	07/01/18 to 09/30/19	-	54	54	-
Total Special Education Cluster					\$ 27,000	\$ 105,422	\$ 94,155	\$ 15,733
Title I, Part A, Grants to Local Educational Agencies	84.010A	92010A	\$ 372,393	07/01/18 to 09/30/19	\$ -	\$ 350,628	\$ 372,393	\$ 21,765
Title I, Part A, Grants to Local Educational Agencies	84.010A	82010A	\$ 226,029	07/01/17 to 09/30/18	3,358	3,358	-	-
Title II, Part A, Supporting Effective Instruction State Grants	84.367A	92367A	\$ 69,294	07/01/18 to 09/30/19	-	65,244	69,294	4,050
Title II, Part A, Supporting Effective Instruction State Grants	84.367A	82367A	\$ 48,071	07/01/17 to 09/30/18	714	714	-	-
Title IV, Part A, Student Support and Academic Enrichment Program	84.424A	92424A	\$ 26,683	07/01/18 to 09/30/19	-	25,123	26,683	1,560
Title IV, Part A, Student Support and Academic Enrichment Program	84.424A	82424A	\$ 10,000	07/01/17 to 09/30/18	149	149	-	-
DC School Choice Incentive Program	84.370C	U370C180001	\$ 91,409	05/25/18 to 09/30/18	-	78,910	78,910	-
DC School Choice Incentive Program	84.370C	U370C180001	\$ 750,000	10/01/18 to 09/30/19	-	-	230,045	230,045
DC School Choice Incentive Program	84.370C	U370C170001	\$ 76,022	08/04/17 to 08/03/18	587	587	-	-
Total U.S. Department of Education					\$ 31,808	\$ 630,135	\$ 871,480	\$ 273,153
<u>U.S. Department of Agriculture:</u>								
Passed Through the District of Columbia:								
Child Nutrition Cluster:								
School Breakfast Program	10.553	N/A	N/A	07/01/18 to 06/30/19	\$ -	\$ 131,299	\$ 132,945	\$ 1,646
School Breakfast Program	10.553	N/A	N/A	07/01/17 to 06/30/18	16,088	16,088	-	-
National School Lunch Program	10.555	N/A	N/A	07/01/18 to 06/30/19	-	242,369	245,379	3,010
National School Lunch Program	10.555	N/A	N/A	07/01/17 to 06/30/18	35,338	35,338	-	-
Donated Commodities	10.555	N/A	\$ 24,062	07/01/18 to 06/30/19	-	16,777	16,777	-
Total Child Nutrition Cluster					\$ 51,426	\$ 441,871	\$ 395,101	\$ 4,656
Fresh Fruit and Vegetable Program	10.582	N/A	N/A	07/01/18 to 06/30/19	\$ -	\$ 20,116	\$ 20,116	\$ -
Fresh Fruit and Vegetable Program	10.582	N/A	N/A	07/01/17 to 06/30/18	6,910	6,910	-	-
Total U.S. Department of Agriculture					\$ 58,336	\$ 468,897	\$ 415,217	\$ 4,656
Total Federal Awards					\$ 90,144	\$ 1,099,032	\$ 1,286,697	\$ 277,809

(See Accompanying Notes and Auditor's Report)

INGENUITY PREP PUBLIC CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Summary by CFDA

<u>Program</u>	<u>CFDA Number</u>	<u>Amount of Expenditures</u>
Special Education - Grants to States (IDEA, Part B)	84.027A	\$ 94,101
Special Education - Preschool Grants (IDEA Preschool)	84.173A	54
Title I, Part A, Grants to Local Educational Agencies	84.010A	372,393
Title II, Part A, Supporting Effective Instruction State Grants	84.367A	69,294
Title IV, Part A, Student Support and Academic Enrichment Program	84.424A	26,683
DC School Choice Incentive Program	84.370C	308,955
School Breakfast Program	10.553	132,945
National School Lunch Program	10.555	245,379
Donated Commodities	10.555	16,777
Fresh Fruit and Vegetable Program	10.582	<u>20,116</u>
Total Federal Awards		<u>\$ 1,286,697</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, 2019

Note 1 - Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Charter School under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Charter School, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Charter School.

Note 2 - Summary of Significant Accounting Policies:

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

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

Note 3 - Food Commodities:

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

Note 4 - Pass-Through Funds:

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

Note 5 - Major Program Selection:

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

U.S. Department of Agriculture

Child Nutrition Cluster:

- School Breakfast and National School Lunch Programs
- Donated Commodities

U.S. Department of Education

- Title I, Part A, Grants to Local Educational Agencies

The requirements of the Office of Management and Budget Uniform Guidance prescribe that all major programs as determined by the auditor on a risk-based approach and/or at least 40% (20% for low risk auditees) of all federal awards be subject to specific control and compliance testing. For the Ingenuity Prep Public Charter School, the programs subject to these requirements are as listed above. The total expenditures of these programs represents 59.65% of the total federal expenditures.

INGENUITY PREP PUBLIC CHARTER SCHOOL
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Note 5 - Major Program Selection: (Continued)

<u>Programs</u>	<u>CFDA #</u>	<u>Amount of</u> <u>Expenditures</u>
Special Education - Grants to States (IDEA, Part B)	84.027A	\$ 94,101
Special Education - Preschool Grants (IDEA Preschool)	84.173A	54
Title I, Part A, Grants to Local Educational Agencies	84.010A	372,393*
Title II, Part A, Supporting Effective Instruction State Grants	84.367A	69,294
Title IV, Part A, Student Support and Academic Enrichment Program	84.424A	26,683
DC School Choice Incentive Program	84.370C	308,955
School Breakfast Program	10.553	132,945*
National School Lunch Program	10.555	245,379*
Donated Commodities	10.555	16,777*
Fresh Fruit and Vegetable Program	10.582	<u>20,116</u>
Total Federal Awards		<u>\$ 1,286,697</u>

* Denotes Major Program

Note 6 - Major Program Disclosure:

I. U.S. Department of Agriculture

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

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

II. U.S. Department of Education

2) Title I, Part A, Grants to Local Educational Agencies

The objective of this program is to improve the teaching and learning of children who are at risk of not meeting challenging academic standards and who reside in areas with high concentrations of children from low-income families.

Kendall, Prebola and Jones, LLC
Certified Public Accountants

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

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

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Ingenuity Prep Public Charter School (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 27, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies; therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency, Finding 2019-001.

Compliance and Other Matters

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

Purpose of this Report

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



Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
November 27, 2019

Kendall, Prebola and Jones, LLC
Certified Public Accountants

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

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

Report on Compliance for Each Major Federal Program

We have audited the Ingenuity Prep Public Charter School's (a nonprofit organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Ingenuity Prep Public Charter School's major federal programs for the year ended June 30, 2019. 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.

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, 2019.

Report on Internal Control Over Compliance

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

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

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

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



Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
November 27, 2019

INGENUITY PREP PUBLIC CHARTER SCHOOL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

There were no findings reported in the prior year.

INGENUITY PREP PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

I. Summary of Audit Results

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

Program	CFDA #
Child Nutrition Cluster:	
School Breakfast Program	10.553
National School Lunch Program	10.555
Donated Commodities	10.555
Title I, Part A, Grants to Local Educational Agencies	84.010A

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

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

2019-001 Condition: The Charter School has an established internal control policy requiring bank reconciliations be reviewed and approved subsequent to preparation by the outsourced bookkeeping firm. This procedure occurred through the month of December; however, for months beginning with January, this independent bank reconciliation review and approval did not occur.

INGENUITY PREP PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

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

2019-001 (Continued)

Criteria: Appropriate internal controls suggest that bank reconciliations be reviewed and approved by a person independent of the cash disbursing and bank reconciliation process. This review should occur shortly after the bank reconciliation has been completed, and this review should consist of inspecting the actual bank statement for unusual items, as well as reviewing outstanding items on the bank reconciliation.

Cause: This process was a procedure that was routinely completed on a monthly basis; however, because of a simultaneous change in personnel at the Charter School, as well as the bookkeeping firm, this procedure was inadvertently discontinued.

Effect: The actual review of the bank statement and the reconciliation is a very important piece of an adequate internal control system. Involving a person outside of the normal check disbursing process provides some mitigation to what is considered to be a lack of separation of duties. Without review and approval of a bank reconciliation, internal controls are significantly diminished.

Recommendation: We recommend that the bank reconciliation process be reinstated as a monthly required internal control procedure. This review should be conducted by someone with limited involvement in the receipting and disbursement process. This review should be evidenced by including a signature from the reviewing individual on the actual bank reconciliation. We also recommend that a member of management retroactively inspect and review the bank statements and reconciliations beginning on July 1, 2019.

Views of Responsible Officials: Management and the Board of Directors are in agreement with the above finding and have taken appropriate steps to address and resolve it going forward. These steps include, but are not limited to, performing and reviewing bank reconciliations on a monthly basis. We will also make a reasonable effort to ensure that bank reconciliations are reviewed by someone with limited involvement in the receipting and disbursement process. Given the size and structure of our finance team, however, there are inherent logistical limitations as it relates to optimal segregation of duties. Management will also retroactively inspect and review bank statements and reconciliations commencing on July 1, 2019. The Audit and Finance Committee will provide ongoing progress updates to the full board.

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.

INGENUITY PREP PUBLIC CHARTER SCHOOL
SCHEDULE OF CONTRACTS AWARDED IN EXCESS OF \$25,000
UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2019

<u>Vendor Name</u>	<u>Services Provided</u>	<u>Value</u>	<u>Conflict of Interest</u>	<u>Fiscal Year</u>
Building Hope-Charter School Incubator Initiative	Rent	1,644,552.00	no	2019
Kaiser Permanente	Health and Life Insurance	542,714.00	no	2019
Revolution Foods	Food Service	445,695.00	no	2019
Urban Teachers	Staffing	277,500.00	no	2019
Ellis Therapeutic Consultants, Inc.	Special Education	183,108.00	no	2019
3 Oaks Resource Group International	Furniture	120,235.00	no	2019
City Year, Inc.	Staffing	95,000.00	no	2019
EdOps	Accounting and Finance	85,875.00	no	2019
Amazon	Supplies/Membership	83,750.00	no	2019
Swing Education, Inc.	Staffing	81,906.00	no	2019
CDW Government	IT Hardware/Installation	79,638.00	no	2019
Principal Financial Group	Health and Life Insurance	74,649.00	no	2019
Staples	Supplies/Membership	65,837.00	no	2019
Sprint	Telecommunications	64,878.00	no	2019
Apple	IT Hardware/Installation	57,874.00	no	2019
United Business Technologies	Photocopies (paper and supplies)	55,705.00	no	2019
Dynamic Network Solutions, Inc.	IT Support	52,980.00	no	2019
MedStar Georgetown University Hospital	Special Education	50,472.00	no	2019
Matt Taylor	Professional Development	47,600.00	no	2019
The Achievement Network	Student Assessment	33,000.00	no	2019
Teach To Lead, LLC	Professional Development	29,318.00	no	2019
Unimpeachable, LLC	Transportation	25,820.00	no	2019
The Hanover Insurance Group	Business Insurance	25,775.00	no	2019
Kendall, Prebola and Jones, LLC	Auditor	25,765.00	no	2019
Bostock Education Consulting	Staff Recruiting	25,000.00	no	2019
Building Hope-Charter School Incubator Initiative	Rent	1,872,816.00	no	2020
Kaiser Foundation Health Plan of the Mid-Atlantic	Health and Life Insurance	602,000.00	no	2020
Revolution Foods	Food Service	505,000.00	no	2020
Lavinia Group, LLC	Professional Development	174,150.00	no	2020
3 Oaks Resource Group International	Furniture	124,597.00	no	2020
Urban Teachers	Staffing	122,000.00	no	2020
Ellis Therapeutic Consultants, Inc.	Special Education	100,000.00	no	2020
Principal Financial Group	Health and Life Insurance	98,000.00	no	2020
EdOps	Accounting and Finance	90,180.00	no	2020
Dynamic Network Solutions, Inc.	IT Support	70,308.00	no	2020
Sprint	Telecommunications	63,000.00	no	2020
United Business Technologies	Photocopies (paper and supplies)	58,000.00	no	2020
MedStar Georgetown University Hospital	Special Education	51,000.00	no	2020
Matt Taylor	Professional Development	45,000.00	no	2020
Swing Education, Inc.	Staffing	40,000.00	no	2020
The Achievement Network	Student Assessment	33,000.00	no	2020
Teach To Lead, LLC	Professional Development	32,000.00	no	2020
Relay Graduate School of Education	Professional Development	30,000.00	no	2020
The Hanover Insurance Group	Business Insurance	30,000.00	no	2020
Unimpeachable, LLC	Transportation	30,000.00	no	2020
Kendall, Prebola and Jones, LLC	Auditor	28,250.00	no	2020
The Hartford	Workers Compensation Insurance	28,000.00	no	2020
Campus Outfitters	Uniforms	26,000.00	no	2020